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외교학석사 학위논문

# **Domestic Support for Foreign Policies**

**Foreign Aid Allocation and Support for  
Foreign Aid Policies in the U.S. Congress**

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## **Abstract**

Why do many developed countries continuously provide foreign assistance to developing countries? Questioning how the international norm of foreign assistance is preserved and has become a tangible policy in donor countries, this paper presents a theory of domestic support for foreign aid in the U.S. by focusing on the role played by aid contractors or development firms in domestic politics. Development firms, the real implementer of foreign aid projects, actively lobby legislators and disseminate information, which leads to the maintenance and expansion of foreign aid in a donor country. This paper argues that this special interest group of development firms plays a significant role in facilitating legislators' continuing support for foreign aid policies. By focusing on the domestic dynamics of the United States, this paper examines a circular principal-agent (PA) relationship between the three groups of key actors in the politics of foreign aid: the United States Agency for International Development (USAID), the development firms, and the legislators.

Many extant researches explain this puzzle of foreign aid through country-level analysis. These studies perceive foreign aid as a diplomatic tool employed for aid-giving countries' own political, strategic and economic interests. More recent literature expounds the political economy of foreign aid at a domestic level. These studies show how dynamics among domestic actors within a donor country affect foreign aid policies. I sought to advance the literature of the political economy of foreign aid by probing the roles of the private development firms and NGOs. This paper particularly focuses on the political dynamics of the domestic actors in the United States, the leading donor country.

This paper explores the roles of development firms in diffusing and executing international norms of foreign aid. When USAID implements foreign assistance programs, it contracts with private development firms or NGOs. They form a special interest group that has a strong preference for pro-foreign-aid policies, because foreign aid is an important source of finance. This paper suggests that as the amount of contracts allocated within a congressional district increases, the legislator in the district is more likely to support pro-foreign-aid policies. Furthermore, these aid contractors play a critical role in the principal-agent relationship between legislators and USAID by disseminating information to legislators through lobbying. Analyzing district-level contract data and firm-level lobby data from the 111<sup>th</sup> to the 115<sup>th</sup> Congress, I discuss that (1) lobby contacts by major U.S. aid contractors increase the frequency of sponsorship for pro-foreign-aid bills and (2) the district-level allocation of contracts is positively associated with the frequency of sponsorship for pro-foreign-aid bills.

**Keyword : foreign aid, interest group, USAID, principal-agent theory, lobby, US Congress**

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# I. Introduction

***“[International] cooperation is a continuation of domestic political struggles by other means.”***  
***-Helen V. Milner (1997)<sup>1</sup>-***

“All politics is local.”<sup>2</sup> Certainly, international politics is not an exception. All foreign policies need domestic support.<sup>3</sup> Overturning Waltz (1979)’s assumption of a state being a unitary actor, many scholars have emphasized that international relations and domestic politics are indivisibly interdependent (e.g. Putnam 1988; Milner 1997; Fearon 1998).<sup>4</sup> According to these scholars, a foreign policy is a

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<sup>1</sup> Milner, Helen V., 1997, *Interests, Institutions, and Information: Domestic Politics and International Relations*, Princeton University Press, p. 10.

<sup>2</sup> It is a quote frequently used in American Politics. A former house speaker, Tip O’Neil used to say this phrase during the 1930s. This means that constituents vote for those who pursue interests of the local. Therefore, priority of politicians is always at his own district.

<sup>3</sup> Need for domestic support for implementing a foreign policy is not limited to democratic countries. Even autocratic governments need domestic support for foreign policies. It is just that the degree of the support required for autocracy is lower than democracy. Milner (1998, p. 12) discusses that even in nondemocratic system, dictators still need “the support of the professional military, the landed oligarchy, big business, and/or a political party” to maintain their power and execute their policies.

<sup>4</sup> To briefly explain, realism (Krasner 1978; Waltz 1979) assumes that states are unitary actors in an anarchic environment. According to their view, states are hierarchically organized. Therefore, it neglects domestic factors which might affect decisions on foreign policies. Realists have a critical weak point that it is not able to explain a long-term international cooperation. More recent studies relaxed this assumption and examines domestic factors that affect foreign policies. Instead of hierarchically organized state, these studies claim that states are more of polyarchy where multiple decision-makers with different preferences over foreign policies exist in one state. More detailed information on realists’ view may be found in Waltz’s *Theory of International Politics*, and recent academic movement related to

result of struggles of multiple domestic-political actors whose preferences are different. Alongside with these researches, this paper explores how the dynamics of domestic politics affect foreign policy. More specifically, this thesis examines the roles of domestic interest groups in promoting international norm and cooperation in international development arena.

Many existing researches that investigate international politics through the prism of domestic politics deal with foreign policies in domestically salient issues.<sup>5</sup> These foreign policies, which are usually related to military, strategic and economic issues, yield distributional as well as electoral consequences domestically; hence, there is some degree of demand from political leaders to cooperate with other countries. These studies explain that political dynamics among political elites -mostly executive and legislative branches- result in a particular foreign policy.

Interestingly, foreign aid policies, which have a weak constituent base and low salience level in donor countries, have been the key instruments of maintaining international cooperation in the international development field.<sup>6</sup> According to

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interplay between international and domestic politics can be studied in Milner (1997)'s *Interests, Institutions and Information*, and Putnam (1988)'s *Diplomacy and Domestic Politics*.

<sup>5</sup> Fearon (1998) well summarized the related literature: "Bueno de Mesquita & Lalman (1992) on interstate war; Huth (1996) on territorial disputes; Peterson (1996) on crisis bargaining; Milner (1997), O'Halloran (1994), and Verdier (1994) on trade policy; Downs & Rocke (1995) on compliance and international cooperation; Evans et al (1993) on "two-level games"; Russett (1993) on democracy and war; Snyder (1991) on great power expansionism; Stamm (1996) on war outcomes; Kier (1997) and Legro (1995) on military doctrine; and the contributors to Rosecrance & Stein (1993) on grand strategy."

<sup>6</sup> It will be explained in a more detailed manner in the latter part of this paper. To briefly explain, while the beneficiaries of foreign aid are abroad, the source of the budget comes from



Milner(1997, p. 48)’s categorization, foreign aid policy falls into a category where there is only “low demand for cooperation from political leaders.”<sup>7</sup> It is a puzzle that international cooperation in this arena has been continued and highly institutionalized though political leaders who have low incentives to provide foreign aid to developing countries.<sup>8</sup> In 2000, all member states of United Nations (UN) adopted the United Nations Millennium Declaration, more well-known as Millennium Development Goals (MDGs), which was developed into Sustainable

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constituents of donor countries. As foreign aid from donor countries become source of funding for international organizations in development arena, foreign aid has become an end itself.

<sup>7</sup> Milner, Helen V., 1997, pp. 47~59.

	Low Externalities*	High Externalities
High Home Benefits**	No/least demand	Some demand
Low Home Benefits	Little demand	Most demand

“Table 2.1 The Demand for International Cooperation” in Milner (1997, p. 48)

\* Externalities: costs that a country has to bear when other countries use a policy unilaterally without cooperation.

\*\* Home Benefits: benefits that a country gains from unilateral use of a policy.

Categorization for foreign aid policies: When other donor countries use of foreign aid policies, they do not create any significant cost at home (except the period during the Cold War). Therefore, it has low externalities. With home benefits, unilateral use of foreign aid may bring some benefits in a way; however, use of other foreign aid policies may be more beneficial, because foreign aid policies usually induce indirect benefits to donor countries. Therefore, foreign aid policy may lie between high and low home benefits. Regardless of home benefits, the demand of political leaders for cooperation in this issue area is little.

<sup>8</sup> During the Cold War, the increase in foreign aid was understandable as it was used as a diplomatic tool, which the United States and Soviet Union competitively employed to make an ally of developing countries. Therefore, Realists expected foreign aid to decline after the Cold War (Morgenthau 1962; Schraeder, Hook and Taylor 1998). However, though it showed declining trend during the mid-1990s, it has been recovered and increased rapidly since early 2000s (see Appendix A).

Development Goals (SDGs) in 2015. International Organizations such as United Nations Development Programme (UNDP) and OECD DAC are main international organizations run by foreign aid funding from donor countries.<sup>9</sup>

Alongside academic efforts of interweaving international and domestic politics, this thesis explores the aforementioned puzzle by exploring the roles played by interest groups. The existing studies mostly focus on the relationship between the legislative and executive branches when they explain how a foreign policy is formed in the midst of domestic-political dynamics. They do mention the importance of interest groups as an information disseminator; but they do not fully explicate the significance and unique roles of interest groups. As Keck and Sikkink (1998) pinpoint in their book, studies of interest groups were underdeveloped in political science, especially in study of international politics, despite their critical role in international cooperation.<sup>10</sup> This paper will contribute to the literature of interplay between international and domestic politics by investigating the roles of interest groups, which form transnational as well as domestic networks.

## 1. Research Question

Foreign aid is known as government spending on non-citizens.<sup>11</sup> While the

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<sup>9</sup> In this paper, the words, aid, foreign aid, foreign assistance, and official development assistance (ODA), are used interchangeably. According to OECD.org, “ODA is defined as government aid designed to promote the economic development and welfare of developing countries.”

<sup>10</sup> Keck and Sikkink (1998) do not use the word, “interest group.” Instead, they used words such as, advocacy networks, nonstate actors or activists. In this sentence, the word, ‘interest group’, is used for consistency; Keck, Margaret E. and Kathryn Sikkink, 1998, *Activists Beyond borders: Advocacy Networks in International Politics*, Cornell University Press, pp. 1~4.

<sup>11</sup> 박종희, 2016, “국제개발협력의 기원과 구조적 변화”, 『개발협력의 세계정치』, 사회평론, p. 107; Lundsgaarde, Erik, 2012, *The Domestic Politics of Foreign Aid*, Routledge,

beneficiaries of foreign aid are abroad, the source of the budget comes from constituents of donor countries. Mysteriously, though foreign aid has a weak constituency in donor countries, the budget for foreign aid has been maintained and continuously expanded in the long term.<sup>12</sup> This means that there exists a political support for foreign aid policies and international norm of foreign assistance. This paper questions why political actors in donor countries appropriate a significant portion of their budget on foreign aid. I explore this question by focusing on the political dynamics of domestic actors in the largest donor country, the United States.<sup>13</sup> As the U.S. is the leading donor country and a hegemonic power that has a strong agenda-setting power in international organizations, it is important to explore the domestic dynamics within the U.S. surrounding the foreign aid policies.

Compared with other countries, the United States gives the largest amount of ODA. Within the United States, the United States Agency for International Development (USAID) is in charge of executing foreign aid policies, and received 0.3 percent of government spending in 2017. The budget appropriated to USAID is the 22nd highest among 96 agencies. Considering that 0.37 percent and 0.32 percent of total budget was appropriated for the Department of Defense and the Department of Commerce respectively, the amount that the USAID received is not

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p23; Snook, Stephen L., 1996, Principled Agents in an Agency Under Siege: USAID and its Mission in Tanzania, PhD thesis, Last updated: May 24 2016, <https://search.proquest.com/docview/304295703?accountid=6802>, p. 51, (Last accessed May 19 2019).

<sup>12</sup> See Appendix A. Though there have been some periods of downturns, overall trend of ODA is increasing.

<sup>13</sup> The United States appropriated 35.26 billion dollars for the ODA in 2017, while the second biggest donor, Germany, appropriated 24.68 billion. (refer to the second table in the website, Compare your country by OECD: <http://www2.compareyourcountry.org/oda?cr=302&cr1=oeecd&lg=en&page=0/#> (Last accessed May 10 2019).

so small. It is interesting that there is domestic-political support that allows foreign aid to be maintained despite the fact that foreign aid has a very weak constituent base.

Recent political dynamics in the U.S. surrounding foreign aid are even more puzzling. Led by his campaign slogan, “America First,” President Donald Trump proposed 32 percent budget cuts for diplomacy and aid in 2017, and 24 percent for USAID in 2019.<sup>14</sup> Though some legislators support the budget cuts, many other legislators strongly oppose the president’s proposal for foreign aid cut.<sup>15</sup> In the end, the Congress responded with a bipartisan rejection and passed bills that enhance foreign aid.<sup>16</sup> It is a puzzling phenomenon that legislators, who pursue the interests of the constituents in their districts, actively support aid for non-constituents.

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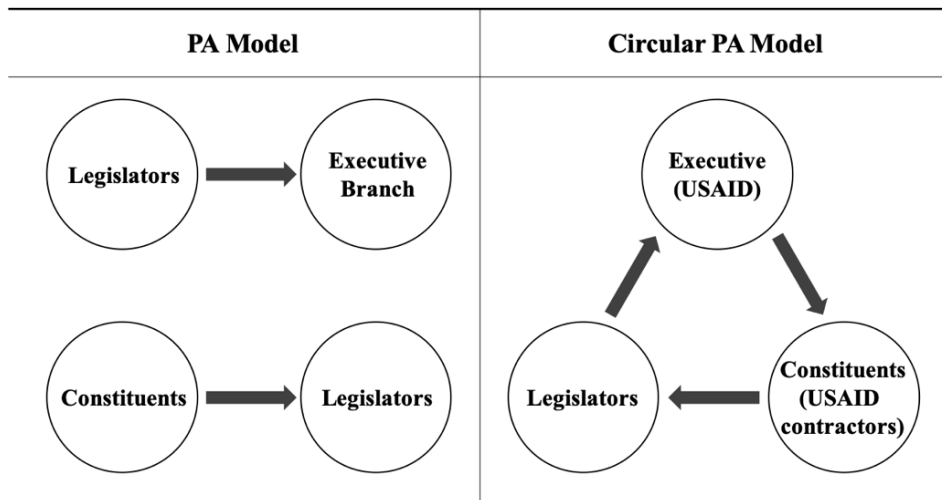
<sup>14</sup> Sohngen, Tess, “These Members of Congress Are Saying ‘No’ to Foreign Aid Budget Cuts,” *Global Citizen*, June 22 2017, <https://www.globalcitizen.org/en/content/congress-members-oppose-trump-foreign-aid-funding/>, (Last accessed May 17 2019); Davidson, Joe, “‘What an ugly picture this budget paints of America,’ the House Foreign Affairs Committee chairman said,” *The Washington Post*, April 12 2019, [https://www.washingtonpost.com/politics/2019/04/12/congress-scorns-trump-plan-cutweaponize-foreignaid/?utm\\_term=.0aa6b06685f8](https://www.washingtonpost.com/politics/2019/04/12/congress-scorns-trump-plan-cutweaponize-foreignaid/?utm_term=.0aa6b06685f8), (Last accessed May 17 2019).

<sup>15</sup> This phenomenon is debatable as Putnam (1988, p. 434) stated that “national governments seek to maximize their own ability to satisfy domestic pressures, while minimizing the adverse consequences of foreign developments.” In the case of Trump, he does not hesitate to cause any adverse effects to relationship with other countries to secure national interests. What is more interesting is that legislators actively pursue international cooperation, which seems not so related to the local interests.

<sup>16</sup> Schraye, Liz, “Foreign Assistance in the ‘America First’ Era,” *Brookings*, July 31 2018, <https://www.brookings.edu/research/foreign-assistance-in-the-america-first-era/> (Last accessed May 17 2019); Matthews, Dylan, “Congress is Actually Working Together on Something: Reforming Foreign Aid,” *Vox*, Jan 15 2016, <https://www.vox.com/2016/1/15/10772354/congress-foreign-aid>, (Last accessed May 19 2019).

This paper examines political dynamics surrounding foreign aid to answer the question, “Why do legislators support foreign aid policies?” Exploring this question would not only help analyzing the legislators’ different preferences towards foreign aid policies, but also extend the literature of norm diffusion and enhance the understanding of international cooperation from the perspective of domestic politics.

## 2. Argument and Method



**Figure I-1. Extant Principal-Agent Model vs. Circular Principal-Agent Model:** extant literatures in political science usually employ one-way principal-agent models to explain political dynamics within a country. In order to explore how international development norm spreads to legislators, this thesis introduces a circular principal-agent model. This circular-structured delegation chain allows bipartisan support for pro-foreign-aid bills; hence, promoting international cooperation.

As an answer of the research question suggested above, this thesis presents a theory of domestic support for foreign aid in the U.S. by focusing on the role played by

aid contractors or development firms in domestic politics.<sup>17</sup> Development firms, the real implementer of foreign aid projects, form a portion of constituents in a congressional district. This paper discusses that this special interest group of development firms plays a significant role in facilitating legislators' continuing support for foreign aid policies.<sup>18</sup> By focusing on the domestic dynamics of the United States, this paper examines a circular principal-agent(PA) relationship between the three groups of key actors in the politics of foreign aid: legislators, the United States Agency for International Development(USAID) and the development firms. Developing extant one-way principal-agent model, this thesis employs a circular principal-agent model as illustrated in Figure I-1.

When USAID implements foreign assistance programs, it contracts with private development firms or NGOs. They form a special interest group that has a strong preference for pro-foreign-aid policies, because foreign aid is an important source of finance. This paper suggests that as the amount of contracts allocated within a congressional district increases, the legislator in the district is more likely

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<sup>17</sup> In this research, aid contractors and development firms/NGOs are referred to the same group. Aid contractors are defined as private for-profit firms and NGOs delegated by USAID which conduct foreign aid programs. Therefore, the terms, 'aid contractors' and 'development firms' are used interchangeably in this paper. Though NGOs are not a firm, which pursues its own profits, for the convenience of delivery, this paper assumes that NGOs are also part of development firms. Jean-Frédéric Morin (2010, p. 311)'s statement supports this idea: "It is now generally recognized that normative frameworks and instrumental objectives inform both advocacy and business networks, although at different levels. Moreover, nongovernmental organizations (NGOs) and corporations use similar strategies to influence public policy: they overcome their competition to build coalitions, exchange information, and use a common rhetoric to frame public issues."

<sup>18</sup> In this research, I use a broad definition of special interest group following Grossman and Helpman (2001). It is a subset of voters who have similar policy preferences, regardless of whether they have formed an organization or not.

to support pro-foreign-aid policies. Furthermore, these aid contractors play a critical role in the principal-agent relationship between legislators and USAID by disseminating information to legislators through lobbying. Analyzing district-level contract data and firm-level lobby data from the 111<sup>th</sup> to the 115<sup>th</sup> Congress, I discuss that (1) the district-level allocation of contracts is positively associated with the frequency of sponsorship for pro-foreign-aid bills and (2) lobby contacts by major U.S. aid contractors increase the frequency of sponsorship for pro-foreign-aid bills.

In order to test the two hypotheses, this paper employs both qualitative and quantitative methods. It utilizes academic journals, books, testimony records, news articles, reports from NGOs and development firms, and other Congressional records covering from the period of the Cold War to 2019 to explain the mechanisms of the two hypotheses. Furthermore, in order to conduct a statistical analysis, this thesis uses a time-series firm-level data provided by U.S. Federal Procurement Data System, district-level economic data and individual legislator's ideology and pro-foreign-aid (co)sponsorship data, which cover the more recent period (2009-2017).

### **3. Outlining Subsequent Chapters**

This section introduces following chapters of this thesis. Chapter 2 examines and summarizes previous literature which discusses motives behind foreign aid. It is largely divided into two perspectives according to their level of study: national level and district/individual-level. At the end of this chapter, it explains what contributions this thesis makes on top of existing studies.

Chapter 3 provides theoretical frame for this thesis. First, it briefly

summarizes the studies that explore the interaction between international politics and domestic politics. This section shows the importance of domestic politics in explaining foreign policy outcomes. It also explains how the principal-agent model has been developed in political science. Then, it provides details of how this principal-agent model is modified into a circular principal-agent model for this research. This chapter introduces key actors in the model and describes how the relationships among these actors were formed and developed into a circular principal-agent relation. Moreover, two main hypotheses are suggested in this chapter.

Chapter 4 investigates the two hypotheses empirically using individual-level legislators' (co)sponsorship data, congressional level aid contract data and firm-level lobby data. Details description of these data sets are provided in this chapter. Furthermore, it describes how these data sets are operationalized for this analysis. Results of empirical analysis are presented at the end of this chapter.

Chapter 5 is conclusion of the thesis. It summarizes the main findings of this thesis. Furthermore, it displays contributions that complement extant researches and limitations. At the end, it provides some policy implications induced from the arguments in the thesis.



## II. Motives Behind Foreign Aid: Literature Review

Mixed and competing motives exist behind foreign aid. One of the most well-known reasons of providing foreign aid is based on humanitarian grounds. From a moralistic perspective, foreign aid is an end itself; more developed countries are obliged to less developed countries. This norm of international development is institutionalized as the Millennium Development Goals agreed by 189 countries in September 2000 and later as the Sustainable Development Goals after 2015.<sup>19</sup> Foreign aid has become a basic tool that makes international norm into an actual program.

Besides this moral motive behind foreign aid, academic researches analyze this puzzle from political perspectives. They explain this mystery behind motives for foreign aid through country-level analysis.<sup>20</sup> These studies perceive foreign aid as a diplomatic tool for aid-giving countries' own political, strategic and economic

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<sup>19</sup> Other than MDGs or SDGs, many other international organizations and forums, such as UNDP, OECD DAC, and G20, uphold the norms of poverty reduction and international development. They are all institutionalized forms of international development norms.

<sup>20</sup> See Morgenthau, Hans, 1962, "A Political Theory of Foreign Aid," *American Political Science Review*, Vol. 56, Issue 2, pp. 301~309; Maizels, Alfred and Machiko K. Nissanke, 1984, "Motivations for Aid to Developing Countries," *World Development*, Vol. 12, Issue 9, pp. 879~900; Meernik, James, Eric L. Krueger and Steven C Poe, 1998, "Testing Models of US Foreign Policy: Foreign Aid During and After the Cold War," *The Journal of Politics*, Vol. 60, Issue 1, pp. 63~85; Alesina, Alberto and David Dollar, 2000, "Who Gives Foreign Aid to Whom and Why?" *Journal of Economic Growth*, Vol. 5, Issue 1, pp. 33~63; Kuziemko, Ilyana and Eric Werker, 2006, "How Much Is a Seat on the Security Council Worth? Foreign Aid and Bribery at the United Nations," *Journal of Political Economy*, Vol. 114, Issue 5, pp. 905~930; Stone, Randall W., 2004, "The Political Economy of IMF Lending in Africa," *American Political Science Review*, Vol. 98, Issue 4, pp. 577~591.

interests. More recent literature expounds the political economy of foreign aid at a domestic level.<sup>21</sup> These studies show how dynamics among domestic actors within a donor country affect foreign aid policies. On top of these researches, I sought to advance the literature of the political economy of foreign aid by probing the roles of the private development firms/NGOs. Developing extant literature and scrutinizing the recent academic development of firm analysis based on the new new-trade theory, this paper argues that development firms diffuse and execute international norm of foreign aid.

## **1. Foreign Aid as a Diplomatic Tool**

Many scholars in international politics have examined foreign aid at a national level. From this level of analysis, scholars usually explore the diplomatic use of foreign aid or characteristics of recipient countries in order to find strategic motives behind foreign aid. As a foreign policy, foreign aid is an instrument to pursue economic and political interests of donor countries; hence, the motive behind foreign aid is found in a donor's interests.

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<sup>21</sup> Fleck, Robert K. and Christopher Kilby, 2001, "Foreign Aid and Domestic Politics: Voting in Congress and the Allocation of USAID Contracts Across Congressional Districts," *Southern Economic Journal*, pp. 598~617; Lancaster, Carol, 2008, *Foreign Aid: Diplomacy, Development, Domestic Politics*, University of Chicago Press; Milner, Helen V. and Dustin H. Tingley, 2010, "The Political Economy of US Foreign Aid: American Legislators and the Domestic Politics of Aid," *Economics & Politics*, Vol. 22, Issue 2, pp. 200~232; Powers, Ryan M., David A. Leblang and Michael J. Tierney, 2010, "Overseas Economic Aid or Domestic Electoral Assistance: The Political Economy of Foreign Aid Voting in the US Congress," *APSA 2010 Annual Meeting Paper*; Hawkins, Darren G., David A. Lake, Daniel L. Nielson and Michael J. Tierney, 2006, *Delegation and Agency in International Organizations*, Cambridge University Press.

Foreign aid during the Cold War is widely understood in this realism perspective. During the Cold War, the United States and Soviet Union used foreign aid policies towards developing countries in order to expand their regional and ideological powers against one another.<sup>22</sup> In this case, the motive behind foreign aid can be apprehended as a strategic tool for national interests. Hans Morgenthau (1962) may be the most prominent realist, who analyzes the diplomatic efficiency of foreign aid. He warns that economic foreign aid has dubious political impacts on the United States' interests; therefore, foreign aid should be employed in a more careful and artistic manner. His statement indicates that from a realist view, foreign aid is a diplomatic instrument rather than a moral end.

In a similar manner, some scholars explain how foreign aid is used as a bribe to developing countries. Questioning the continued support for foreign aid after the Cold War, they highlight the function of foreign aid as a bribe that buys the votes of developing countries. They explain that foreign aid is a political apparatus to gain support from developing countries in an international forum like the United Nations General Assembly.<sup>23</sup>

This way of discerning foreign aid well describes how donors allocate aid among recipient countries. Though these researches partially explain the allocation of assistance to strategic countries, they still do not explain why the countries decide to support humanitarian foreign aid to strategically unimportant countries.

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<sup>22</sup> Morgenthau, 1962; Meernik, Krueger and Poe, 1998; Maizelsand and Nissanke, 1984.

<sup>23</sup> Kuziemko, Ilyana and Eric Werker, 2006, "How Much Is a Seat on the Security Council Worth? Foreign Aid and Bribery at the United Nations," *Journal of Political Economy*, Vol. 114, Issue 5, pp. 905~930; Dreher, Axel, Peter Nunnenkamp and Rainer Thiele, 2008, "Does US Aid Buy UN General Assembly Votes? A Disaggregated Analysis," *Public Choice*, Vol.136, Issue 1-2, pp. 139~164.

Furthermore, it does not fully explicate the variant stances of domestic actors. While some legislators support a pro-foreign-aid bill, others have rejected them. Some of legislators have even proposed an abolition of the USAID. This indicates a need to explore the domestic political dynamics within donor countries.

## **2. Domestic Politics and Foreign Aid**

Extant studies that devote to grasp the domestic dynamics of political economy of foreign aid can be classified into two groups according to their focus of the study: public opinion, and political elites.

Some political scientists claim that public opinion plays a significant role in promoting foreign aid.<sup>24</sup> Legislators, who struggle to be reelected, are correspondingly sensitive to constituents' interests. In this public opinion literature, scholars perceive public opinion as an important factor that affects decision of legislators over bills related to foreign aid.

However, apprehending that foreign aid is a less salient issue among the public, it is more important to scrutinize domestic actors who are more interested in foreign aid issue. This paper examines more important actors in foreign aid issue, development firms and NGOs the real actors who implement foreign aid programs. This research tackles roles played by these actors who contribute to the maintenance and expansion of foreign aid.

Many extant literatures focus on decisions made by political elites, the executive government or the legislators. According to this perspective, decision on

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<sup>24</sup> Milner, Helen V. and Dustin Tingley, 2013, "Public Opinion and Foreign Aid: A Review Essay," *International Interactions*, Vol. 39, Issue 3, pp. 389-401; Heinrich, Tobias, Yoshiharu Kobayashi and Kristin A. Bryant, 2016, "Public Opinion and Foreign Aid Cuts in Economic Crises," *World Development*, Vol.77, pp. 66-79.

supporting foreign aid is determined by the ideology of elites, or legislators.<sup>25</sup> Legislators approach foreign aid issues from their own moral stances, a pre-established belief towards foreign aid. This statement assumes that foreign aid is a less salient issue to which constituents do not pay much attention. Hence, legislators decide direction of foreign aid policies according to their own preference, rather than their constituents' (principals') interests.<sup>26</sup> This paper explores how political dynamics among key actors related to foreign issue makes foreign aid issue more salient.

Similarly, some scholars connect ideology of legislators with partisanship.<sup>27</sup> They claim that a left-wing party tends to prefer governmental intervention, which naturally leads to support for foreign aid. This partisan theory, however, does not fully explain the variance of supports for foreign aid within the same party. This paper tackles this argument by examining influence of interest group over legislators.

Some studies suggest theory of foreign aid in terms of distributional effects of foreign aid across congressional districts.<sup>28</sup> Milner and Tingley (2010) argue

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<sup>25</sup> Tingley, Dustin, 2010, "Donors and Domestic Politics: Political Influences on Foreign Aid Effort," *The Quarterly Review of Economics and Finance*, Vol. 50, Issue 1, pp. 40~49; Cronin, Patrick and Benjamin O. Fordham, 1999, "Timeless Principles or Today's Fashion? Testing the Stability of the Linkage between Ideology and Foreign Policy in the Senate," *The Journal of Politics*, Vol. 61, Issue 4, pp. 974~975.

<sup>26</sup> Peltzman, Sam, 1984, "Constituent Interest and Congressional Voting," *The Journal of Law and Economics*, Vol. 27, Issue 1, pp. 181~210.

<sup>27</sup> Thérien, Jean-Philippe and Alain Noël, 2000, "Political Parties and Foreign Aid," *American Political Science Review*, Vol. 94, Issue 1, pp. 151~162; Greene, Zachary D. and Amanda A. Licht, 2017, "Domestic Politics and Changes in Foreign Aid Allocation: The Role of Party Preferences," *Political Research Quarterly*, Vol. 71, Issue 2, pp. 284~301.

<sup>28</sup> Miner and Tingley, 2010; Fleck and Kilby, 2001; Powers, Leblang and Tierney, 2010; Poirine,

that legislators in the congressional districts with high human capitals tend to support foreign aid. According to their argument, most of the exporters are highly productive and require high human capitals. Foreign aid, which supports the development of trading partners, helps to promote trade between the donor and the recipient countries. Therefore, those legislators in congressional districts with high human capital are more likely to support pro-foreign-aid policies, which create distributional effects to their districts.<sup>29</sup>

Recognizing distributional effects of foreign aid as a core motivation of legislators to support pro-foreign-aid bills, this paper explains it in a more direct way. This thesis argues that foreign aid creates distributional effects within the donor country, the U.S., as much of them return to domestic firms that execute foreign assistance programs.

This research paper expands on the aforementioned academic efforts to advance the literature of international development in the political economy. Abreast of recent academic developments of firm-level analysis based on the new new-trade theory, I sought to further the literature of foreign aid by probing roles of special interest group through strategic actor-oriented approach. The institutional structure of foreign aid in the U.S., which leaves potential for aid-related interest groups to influence policies and even enhances their position, fosters support for pro-foreign-aid bills among legislators by creating distributive effects and promoting transmission of information among the key actors.

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Bernard, 1999, "A Theory of Aid as Trade with Special Reference to Small Islands," *Economic Development and Cultural Change*, Vol. 47, Issue 4, pp. 831~852.

<sup>29</sup> Miner and Tingley, 2010; McLean, Elena V., 2015, "Multilateral Aid and Domestic Economic Interests," *International Organization*, Vol. 69, Issue 1, pp. 97~130.

### III. A Circular Principal-Agent Theory

This section is devoted to build a theoretical frame for circular principal-agent model. In order to understand how principal-agent theory is related to international politics, this section starts with the issue of interaction between domestic and international politics. Then, it explains how principal-agent theory is developed in political science. In addition to general discussion of principal-agent theory, the third subsection of this chapter will introduce a circular principal-agent theory and how it is applied to the politics of foreign aid. At last, two main hypotheses and other important alternative hypotheses will be introduced.

#### 1. Theories of Domestic Politics Explaining Foreign Policies

Domestic theories of international politics arise from attempts to overcome the limitation of realism. As Kenneth Waltz (1979) states in *Theory of International Politics* that international politics should be separated from politics, realists clearly detach international from domestic politics.<sup>30</sup> He perceives a state as a unitary actor, packed in a “black box.” This reductionist assumption prevailed in studies of international relations (e.g. Morgenthau 1948; Carr 1946; Waltz 1979; Walt 1987; Mearsheimer 1990; Krasner 1991).

However, some questions that are inexplicable with this state-centric theory rose and scholars recognized the importance of interaction between domestic politics and diplomacy.<sup>31</sup> They criticize this assumption of unitary states as “a

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<sup>30</sup> Waltz, Kenneth N., 1979, *Theory of International Politics*, Addison-Wesley Publishing Company, Inc., pp. 38~39.

<sup>31</sup> One of the questions that are not explained by the state-centric theory is suggested by Keck

weak rationality assumption.”<sup>32</sup> Overturning realists’ explanation of foreign policy, political scientists have endeavored to establish parsimonious theories that explain entanglement between domestic and international politics (e.g. Milner 1997, Fearon 1998, Putnam 1988, Katzenstein 1977).<sup>33</sup> They emphasize that the state is not a unitary actor; thus, national preference is not fixed. It consists of groups with different preference, which means that there requires a theory of domestic politics that explore formation of national preferences.

One of the scholars that tackle limitations of realism is Graham T. Allison (1971). Investigating Cuban missile crisis, he claims that understanding behavior of states as “the purposive acts of individuals” does not fully explicate governmental behavior. He states that the decisions made by a state is “a conglomerate of large organizations and political actors.”<sup>34</sup> He drives foreign policy outcomes from

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and Sikkink (1998). They assert that the state-centric theory does not explain why states cooperate in issues, such as human rights and environmental issues; Though it is not limited to the post-Cold War period, domestic factor has become more emphasized after the Cold War. As McCormick and Wittkopf (1990, p. 1077) state, foreign policies after the Cold War shifted from the unified bipartisan nature to diverse political nature. They claim that “the bipartisan perspective, which says that politics stops at the water's edge, and the political perspective, which sees foreign policy as subject to the same partisan and ideological disputes that characterize domestic policy-making. The results demonstrate that the bipartisan perspective applies best to the Cold War years, and that the political perspective applies throughout the postwar era.”

<sup>32</sup> Moravcsik, Andrew, 1998, *The Choice for Europe: Social Purpose and State Power from Messina to Maastricht*, Cornell University Press, p.23.

<sup>33</sup> For more reference, see Fearon, James D., 1998, “Domestic Politics, Foreign Policy, and Theories of International Relations,” *Annual Review of Political Science*, Vol. 1, Issue 1, p306~307.

<sup>34</sup> Allison, Graham T., 1971, *Essence of Decision: Explaining the Cuban Missile Crisis*, Little, Brown and Company, p3.



debates among several different departments and key political actors, who possess different preferences and priorities.

However, this literature partially explains interaction between domestic and international politics in a sense that its focus is on how domestic politics influence foreign policy outcomes. More researchers realized that it is important to study interaction between the domestic and international politics. Putnam (1988) formulates a two-level game as a tool for explaining international negotiations. It is called a two-level game because it deals with both national and international level analysis. At the national level, politicians need to embrace interest of domestic groups, while at the international level, the government has to find a way to satisfy domestic interests while “minimizing the adverse consequences of foreign developments.”<sup>35</sup> Developing this two-level theory, Milner (1997) explained how international cooperation becomes possible. She explains how domestic actors’ preferences, political institutions and levels of information within a country affect international cooperation.

It is understandable that most of researches that find linkage between domestic and international politics give prior attention to preferences and dynamics of political elites, mainly the legislative and the executive bodies. They are certainly important decision-makers in forming foreign policies. However, one should not forget that there are critical roles played by interest groups as well. Some scholars stress that in order to understand how international cooperation is possible in unpopular issues, roles of interest groups should not be exempted from the explanation (e.g. Keck and Sikkink, 1998; Jean-Frédéric Morin 2010; Sell and Prakash 2004, Armstrong 1985). Keck and Sikkink (1998, p.203) state that “states

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<sup>35</sup> Putnam, 1998, p.434.

have very few incentives to cooperate on these issues... Active intervention by a committed actor is necessary to get these issues onto political agendas.” Moreover, they explicitly assess the limitation of the two-level game suggested by Putnam:

“however valuable its insights, even this two-way street [a two-level game] is too narrow, implying a limited access to the international that no longer holds true in many issue areas. Instead, we draw upon sociological traditions that focus on complex interactions among actors, on the intersubjective construction of frames of meaning, and on the negotiation and malleability of identities and interests.”<sup>36</sup>

Indeed, there needs some more academic efforts to draw an attention to roles played by interest groups, who set unpopular issues on the political agenda and actually serve implementation of policies.

Recognizing the importance of studying domestic politics in understanding international-political phenomenon, this thesis develops a theory of domestic support for foreign aid policies. Thus, among the two levels of study that Putnam suggests, this thesis focuses on national level process of foreign policy formation. Moreover, it draws attention to roles played by interest groups in forming foreign policies in promoting international cooperation and spreading international norm of foreign aid.

## **2. Principal-Agent Theory in Political Science**

Agency theory, also referred to as the principal–agent (PA) model, is adapted from

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<sup>36</sup> Keck and Sikkink, 1998, p. 4.

economics.<sup>37</sup> PA model has been widely applied to explaining political dynamics among key actors, especially the relationships between voters-politicians and legislators-bureaucrats.

For voters-legislators relationship Weingast (1984) states that voters are the ultimate principals of policymaking process in the U.S. and congressmen are their agents, who deliver interests of the voters. Extant studies have developed explanations about the voting behaviors of legislators by observing whether legislators decide policies based on their own preferences or their constituents' interests.<sup>38</sup>

Another relationship that are often explained by PA theory is the one between legislators and bureaucrats. Political scientists take bureaucratic agencies as agents of groups of political principals, such as Congress, the president, or courts.<sup>39</sup> Bureaucratic agencies are delegated by politicians to deliver proper services to citizens. Among many political principals, legislators have a powerful tool to control bureaucrats: they appropriate the budget to each bureaucratic agency.

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<sup>37</sup> Weingast, Barry R. and Mark J. Moran, 1983, "Bureaucratic Discretion or Congressional Control? Regulatory Policymaking by the Federal Trade Commission," *Journal of Political Economy*, Vol. 91, Issue 5, pp. 765~800; Weingast, Barry R., 1984, "The Congressional-bureaucratic System: A Principal Agent Perspective (with applications to the SEC)," *Public Choice*, Vol. 44, Issue 1, pp.147~191; Peltzman, 1984; McCubbins, Mathew D., Roger G. Noll and Barry R. Weingast, 1987, "Administrative Procedures as Instruments of Political Control," *Journal of Law, Economics, and Organization*, Vol. 3, p. 243; Gailmard, Sean and John W. Patty, 2012, "Formal Models of Bureaucracy," *Annual Review of Political Science*, Vol. 15, pp. 353~377.

<sup>38</sup> Bender, Bruce and John R. Lott, 1996, "Legislator Voting and Shirking: A Critical Review of the Literature," *Public Choice*, Vol. 87, Issue 1-2, pp. 67~100.

<sup>39</sup> Gailmard, Sean, 2014, "Accountability and Principal-Agent Theory," *The Oxford Handbook of Public Accountability*.

Weingast (1984) states that “because congressmen live and die by providing benefits to constituents, they have substantial incentives to tailor bureaucratic policies to suit their electoral needs.”<sup>40</sup>

Bureaucrats live in a political environment as an agent that acts on behalf of Congress. In this hierarchical relationship, bureaucrats have to act strategically in order to survive and expand.<sup>41</sup> Political scientists studying this PA relationship usually perceive this strategic behavior or bureaucratic agency as a problem. They underscore the problems of bureaucrats’ shirking and how to monitor them in order to deliver in accordance with interests of legislators and constituents.

Developing this simple principal-agent model, some scholars explain that there is a chain of delegation among political actors. Nielson and Tierney (2003) explained how domestic politics within the U.S. promoted environment reform in World Bank through delegation chain among constituents, politicians, and international organizations.<sup>42</sup> More advanced argument comes from Broz and Hawes (2006). They explain how banks in the U.S. become a key constituency for the IMF and lobby the U.S. government and legislators on behalf of IMF.<sup>43</sup> This circular delegation chain helps to explain how political dynamics within a country promote international cooperation and enhance international organization.

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<sup>40</sup> Weingast, 1984, p. 154.

<sup>41</sup> Van Belle, Douglas A., 2004, *Media, Bureaucracies, and Foreign Aid: A Comparative Analysis of the United States, the United Kingdom, Canada, France and Japan*, Springer.

<sup>42</sup> Nielson, Daniel L. and Michael J. Tierney, 2003, “Delegation to International Organizations: Agency Theory and World Bank Environmental Reform,” *International organization*, Vol. 57, Issue 2, pp.241~276.

<sup>43</sup> Broz, J. Lawrence, and Michael B. Hawes, "US domestic politics and international monetary fund policy," in Hawkins, Darren G, David A Lake, Daniel L. Nielson and Michael J. Tierney (eds.), *Delegation and agency in international organizations*, Cambridge University Press.

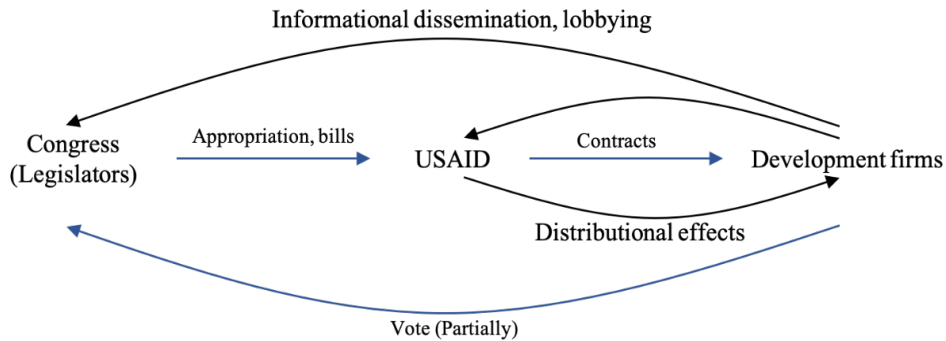
Most of the extant studies, which utilize PA theory to explain political phenomena, focus on phenomena, such as informational asymmetry, adverse selection and agency's shirking.<sup>44</sup> They perceive an agent pursuing its own interests instead of pursuing principal's as a problem. However, this thesis does not perceive them as critical flaws in delegation chain. Rather, it explains how strategic behaviors of each agent helps promoting international norm of foreign aid.

This paper modifies and utilizes principal-agent theory (PA theory) to explain the political dynamics among the main actors. It argues that a delegation chain among the key domestic actors in international development arena enhances support for foreign aid. Along with scholars who have examined how incentives of each political actor and informational asymmetry affect political behaviors, this paper pays attention to three types of PA theory in political science: legislators-bureaucracy, voter-legislator and bureaucracy-special interest group relations. Modifying a typical one-way PA theory in political science, I introduce a circular PA theory to explore what roles interest groups play in spreading the norm of foreign aid in domestic politics.

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<sup>44</sup> More detailed explanations for each conception can be found in Milgrom, Paul R., and John Donald Roberts, 1992, *Economics, Organization and Management*, Englewood Cliffs: Prentice-Hall.

### 3. A Circular PA Theory and Foreign Aid



**Figure III-1. A Circular Chain of Delegation:** the figure explains how three key actors, Congress, USAID, and development firms, interact with one another through delegation process. It shows that this delegation chain forms a circular shape. Development firms are in a very unique position in this chain as they are agents of USAID as well as principals of legislators.

This section introduces the institutional structure of U.S. foreign aid which can be summarized into a circular principal-agent relationship. Figure III-1 shows a circular PA relationship among three primary actors: legislators, USAID, and the development firms. Analyzing how these actors behave and interact, this research suggests that empowering the development firms by federal contracts has resulted in the political support of foreign aid in the U.S.

Above all, it is necessary to define the three groups of actors presented in this circular PA model and each group's interests. Congress, USAID and development firms are the key actors in the circular PA model as indicated in Figure III-1. They all have different interests and goals. It is crucial to examine each group's interests, because this difference in interests leads to political dynamics among the actors, which ultimately directs to a foreign policy outcome.

In this paper, congress or legislators are referred to legislators in the U.S. House of Representatives.<sup>45</sup> They are in control of appropriating budget for foreign aid programs and also in charge of monitoring activities of executive agencies. As a rational actor, legislators' main goal is to be re-elected in next terms. In order to remain in the office, they pursue vote-maximizing policies, which gain more votes from their constituents.<sup>46</sup> Therefore, legislators devote to fulfill their constituents' interests. As explained above, constituents are legislators' principal. Therefore, legislators are sensitive with the interests of constituents in their own districts.

USAID is a U.S. federal government agency in charge of U.S. foreign assistance. It was established in 1961 as a temporary agency and possesses a weak constituency base.<sup>47</sup> This means that its position is always under risk of reduction or removal. Besides its function as a conductor of foreign aid programs, the goal of USAID as a governmental agency is to survive, to expand and to obtain more budget.

Aid contractors, or development firms, are defined as for-profit firms and NGOs hired by the USAID to implement foreign assistance projects.<sup>48</sup> Their

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<sup>45</sup> This thesis limits definition of legislators as House of Representatives. Senators are not included. The reason why only House of Representatives are the focus of this thesis is that they are more sensitive to interests of their constituents in their districts. As Senators represent broader district, they care more about broader interests of constituents rather than local interests.

<sup>46</sup> Fiorina, Morris P. and Roger G. Noll, 1978, "Voters, Bureaucrats and Legislators: A Rational Choice Perspective on the Growth of Bureaucracy," *Journal of Public Economics*, Vol. 9, Issue 2, pp. 239~254.

<sup>47</sup> Snook, 1997, p. 51; The word, "temporary," is intentionally mentioned. USAID was under the risk of removal when it was perceived as an unnecessary agency after the Cold War.

<sup>48</sup> NGOs may be hired by the USAID or financed by the USAID. In this paper, whether they are hired or financed is not distinguished.

services or projects cover health issues, education, food, technology, transportation and many other areas that are considered as development projects. The contractors are not a mere third-party outside of the PA relationship. Hired by the USAID through contracts, they are USAID's agents. Moreover, at the same time, they are a principal of legislators as well as important interest groups who transmit information to the legislators.

As development firms are the key group in this circular relationship, it is important to know what development firms are in detail. They may be specialized in international development projects, but not all aid contractors are specialized in development projects. For example, Apple Inc. is a private firm whose main services or products are not directly related to development programs. Nonetheless, USAID contracts with Apple Inc. in order to use their services/products for development projects. Though these kinds of private firms do not devote themselves to international development projects, in this paper, it is considered a development firm because they are still profiting from contracts with USAID. Increase in foreign aid budget may benefit the firms. In this research, therefore, development firms are defined as all institutions that had a contract in a fiscal year with USAID. Although these non-specialized development firms are aid contractors, the top contractors, who receive most of the budget, are specialized in international development projects (Table B in Appendix B). For example, according to Roberts (2014), Chemonics International, Inc., a top contractor appearing on the Table B-1, was founded in 1975 by a former Foreign Service officer and USAID official. It is highly involved in USAID work in Iraq and Afghanistan, mainly doing projects on agriculture and food security. Another top contractor, John Snow, Inc. (JSI) is specialized in health issues, such as AIDS. International Relief and Development (IRD) is also a top aid contractor which is in



charge of community stabilization work and road building.<sup>49</sup> Chemonics and other top aid contractors are highly specialized in delivering development projects and they closely work with USAID. Therefore, their main source of funding is USAID.

Geographical positions of these development firms are also an important factor that should be considered in this paper. The top contractors continuously received significant amount of money from USAID throughout the years (2008 ~ 2017). They are concentrated in the beltway area, which includes Washington DC and its neighboring states (Appendix C. Table C). However, as USAID have contracted with more development firms from different regions in more recent years. Geographical dispersion of development firms will be discussed in more detail in the following section.

Going beyond the extant PA theory, which is limited to a one-way chain of delegation, the circular PA relationship among these the three actors shows how this institutional structure of foreign aid facilitates pro-foreign-aid policies in the U.S. More specifically, this paper analyzes the role of the interest groups, aid contractors, in order to explore why some house representatives in the United States support pro-foreign-aid policies. The institutional structure of foreign aid in the U.S. encourages the development firms to actively participate in maintaining and expanding pro-foreign-aid policies. This circular PA relationship facilitates distributional effects and informational dissemination.

#### **4. Theoretical Hypotheses**

Why do legislators support pro-foreign-aid policies? It seems irrational for

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<sup>49</sup> All detailed information about USAID's top contractors was collected from Table 2 and 3 of Roberts (2014: 1038-1040).

legislators to provide wealth to foreigners, when their utmost goal is to gain votes from constituents in their own districts. If their foremost goal is to keep their offices, they should support policies that benefit their constituencies rather than use taxpayers' wealth for foreigners.

As foreign aid is funded from taxpayers in congressional districts, there is a distributive effect of foreign aid. Recognizing the distributional effects of foreign aid, legislators have increased its control over USAID.<sup>50</sup> The budget and scope of activities of USAID are determined and overseen by legislators. Possessing strong appropriation power, legislators hold principal position over USAID.

In order to understand how foreign aid creates distributional effects in a more detailed manner, we must understand how USAID handled a crisis during the 1990s. After the Cold War, USAID faced an imminent crisis. As briefly mentioned in the previous section, USAID was a temporary agency. Thus, its status of being was vulnerable. During the period of the Cold War, foreign aid was supported as a strategic tool. The United States was competing with the Soviet Union in terms of foreign aid. In order to make developing countries, especially strategically important ones, to its side, foreign aid was exploited as a diplomatic tool. However, after the Cold War, its usefulness has been questioned and between 1990 and 2000, USAID was under threat of reduction. Some legislators advocated to reduce the amount of foreign aid and even to eliminate the USAID.

In a way, it was an expected process, because foreign aid does not have strong constituency. Legislators do not have strong incentives to uphold foreign aid policies after its strategic value has diminished. The congressional record, 'The

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<sup>50</sup> Milner, Helen V. and Dustin Tingley, 2015, *Sailing the Water's Edge: The Domestic Politics of American Foreign Policy*, Princeton University Press, p. 152.

House Budget Resolution for Fiscal Year 1996,' shows how serious the problem was. It required a 20 percent cut on foreign aid, because "many foreign aid programs are [claimed to be] wasteful and counterproductive."<sup>51</sup> Meanwhile, USAID faced severe reduction in force as well: "Between 1993 and 1996, USAID's total workforce was reduced by 30 percent... In 1980, USAID had 4,058 permanent American employees. By 2001, the number had dropped to 2,200, a 45 percent cut."<sup>52</sup>

This crisis of USAID triggered the rise of contracts with development firms. The severe reduction in force led USAID to inescapably contract with private development firms. Hiring private contractors for executing foreign assistance programs was inevitable to USAID. USAID had to outsource in order to fill up the vacancy. The relationship between USAID and development firms are typical principal-agent relation as USAID hires development firms through contracts.

Interestingly, USAID seems to exploit its action of hiring development firms as an appeal to the legislators. Legislators are highly interested in employment and delivery of federal funding to their own congressional district. USAID was aware of the legislators' interests and it used this fact strategically in order to fulfill its own interests, USAID's survival and expansion. Contracts with development firms provide more finance and possibly increase employment in a congressional district,

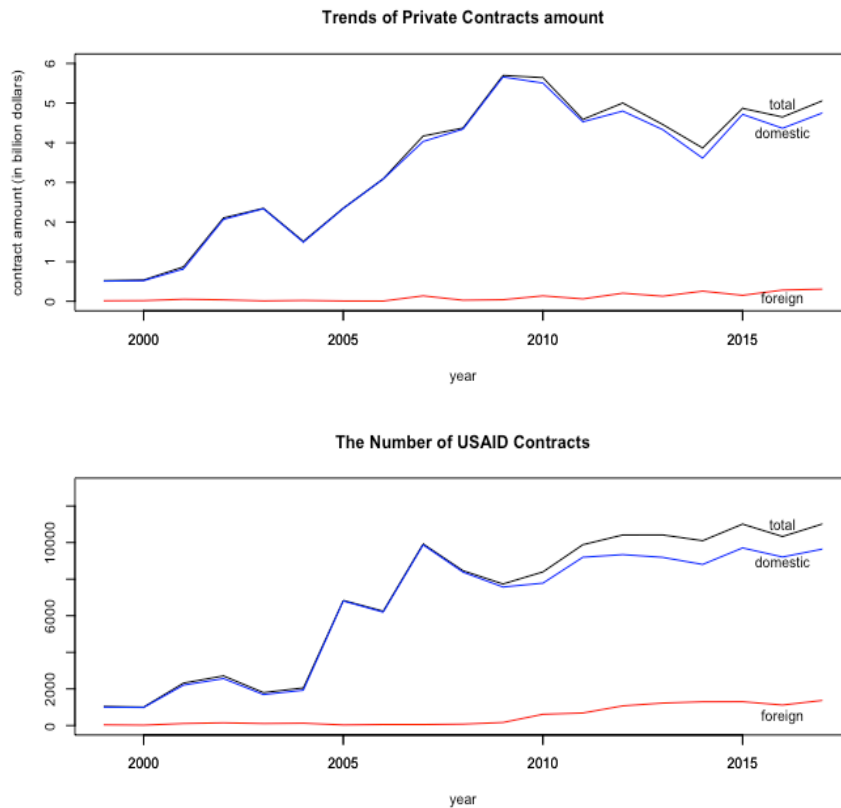
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<sup>51</sup> House of Representatives, 1995, *Concurrent Resolution on the Budget - Fiscal Year 1996*; Schraye, Liz, 2017, "The Politics of Foreign Aid," <https://www.brookings.edu/research/the-politics-of-foreign-aid/>, (Last accessed May 19 2019).

<sup>52</sup> Natsios, Andrew, 2011, *The Clash of the Counter-Bureaucracy and Development*, Center for Global Development; Roberts, Susan M., 2014, "Development Capital: USAID and the Rise of Development Contractors," *Annals of the Association of American Geographers*, Vol. 104, Issue 5, pp. 1030~1051; Stanger, Allison, 2009, *One Nation under Contract: The Outsourcing of American Power and the Future of Foreign Policy*, Yale University Press.

which is consistent with interests of legislators. It was a part of strategic decision of USAID to allocate aid contracts across congressional districts. Fleck and Kilby(2001, p.600) states that USAID intentionally uses the database to provide evidence of “widespread benefits to American firms and workers” and advertises the benefits for each state through its website.

As Figure III-2 shows, contracts that USAID has made with private development firms have increased quite continuously, especially at of domestic private contracts. Many branches of responsibilities that USAID held have been delegated to private development firms over time. This means that there are benefits that the firms concur from maintenance and expansion of foreign aid programs.



**Figure III-2. Trend of USAID’s Private Contracts:** The first graph shows the total amount that USAID spent on contracts with private development firms and NGOs in billion dollars. The second graph shows the number of contracts that USAID made every year. *Data Source.* Federal Procurement Data System.

In order to understand that legislators consider foreign aid seriously, it is important to check whether the amount of money flowed into a congressional district was significant enough to catch attention from legislators. Indeed, the sum of money flowing into development firms is not insignificant. It has direct distribution effects of foreign aid throughout congressional districts. During the 114<sup>th</sup> Congress, Washing D.C. received 12.8 billion dollars, Virginia’s 8<sup>th</sup> congressional district 2.4 billion and Maryland’s 8th 1.8 billion. Significant amount

of USAID contracts flowed into domestic firms and promotes positive distributional effects in the congressional districts.<sup>53</sup> Some large development firms are highly dependent on USAID projects that it would be hard to survive if funding for foreign aid is significantly reduced. In *Foreign Policy*, John Norris mentions states that:

“The 10 largest USAID contractors received more than \$3.19 billion in 2011, and more than 27 percent of the agency’s overall funding was directed to American for-profit firms last year. To put this in perspective, if the for-profit contractor Chemonics were a country, it would have been the third-largest recipient of USAID funding in the world in 2011, behind only Afghanistan and Haiti.”<sup>54</sup>

As mentioned in chapter 1, USAID was 22<sup>nd</sup> highest budget receiver among 96 agencies in 2017. 0.3 percent of the total budget is not an insignificant portion of the whole government spending. This amount is big enough to draw attention from aid-related firms and legislators.

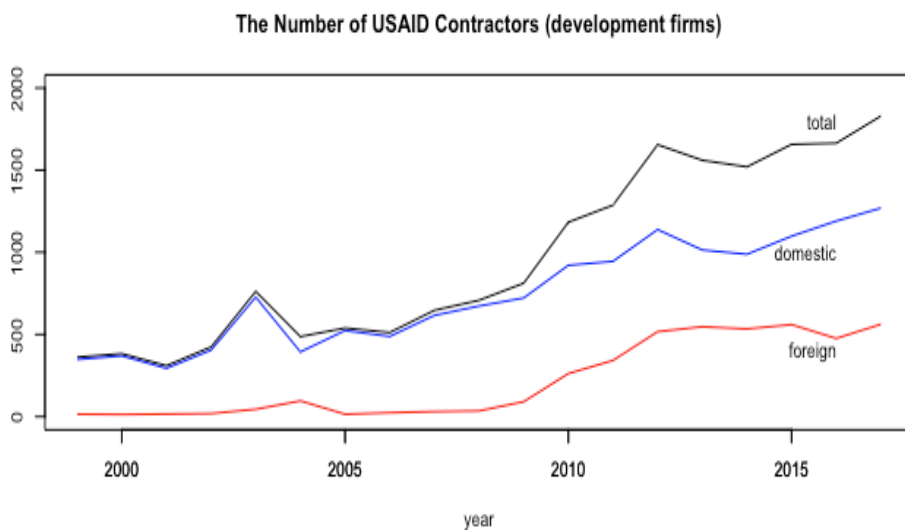
Moreover, expansion of private development firms definitely grows the related employment. Figure III-3 clearly demonstrates that the number of firms participating in foreign aid programs and funded by USAID has increased rapidly. This means that more people are working in the development field. Though it is hard to get data on employment of each development firm, it is important to

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<sup>53</sup> Berrios, Ruben, 2000, *Contracting for Development: The Role of For-Profit Contractors in US Foreign Development Assistance*, Praeger Pub Text, p. 7.

<sup>54</sup> Norris, John, 2012, “Hired Gun Fight,” *Foreign Policy*, <https://foreignpolicy.com/2012/07/18/hired-gun-fight/>. (Last accessed November 30 2018).

highlight that top development firms hire thousands of employees. According to <Table 2> presented in Roberts (2014, p.1040), Chemonics International, Inc. hires more than 3,200 in 2012/2013, Development Associates International, Inc. (DAI) about 2,000, John Snow, Inc. (JSI) about 2,100, and Abt Associates more than 2,000. The size of development firms is large that they hire thousands of employees.<sup>55</sup> Providing jobs for constituents is one of important task that matters a lot to a legislator. This truly attracts legislators' attention and helps gain more political support for foreign aid. It is true that there was only weak constituency until the early 2000s. However, as illustrated in figure III-2 and III-3, the number of contracting firms has increased. This means that foreign aid is gaining stronger constituency.



**Figure III-3. The Number of USAID Aid Contractors:** The graph shows how many private development firms and NGOs contracted with USAID in a year. *Data Source.* Federal Procurement Data System.

<sup>55</sup> According to U.S. Small Business Administration, small business is defined as a firm having fewer than 500 employees. The development firms are not small but are large business.

In order to gain support from the legislative, it is important to turn more legislators to pro-foreign-aid side. Private firms in a district facilitate congressional support for foreign aid, because they are also voters in the congressional districts. In other words, development firms are voters, a portion of constituents. Thus, a circular principal-agent relationship is formed among the three groups of actors.

Noting that legislators do care about funds that their constituents receive from USAID contracts, USAID appeals to legislators by explaining the distributional effects of foreign aid. Recently, at a testimony, the USAID Administrator, Mark Green, mentioned the efforts of USAID to engage with private sector in order to appeal to legislators:

“Fulfilling our responsibility to taxpayers is about much more than asking other donors to increase their contributions... In our case, it also means strengthening private-sector engagement through true collaborations... to further these efforts with financing tools, and have a whole of government approach to private sector engagement.”<sup>56</sup>

This quote shows that USAID is aware that legislators take heed of how tax is spent. In order to gain support from legislators, USAID tries to ensure them that it is putting efforts to enhance the private-sector engagement. Though Green does not specify whether the private sector indicates those in the U.S. or in foreign

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<sup>56</sup> Foreign Affairs Committee, 2018, “U.S. Agency for International Development Administrator Mark Green Testimony on the Fiscal Year 2019 Budget Request,” <https://docs.house.gov/meetings/AP/AP04/20180426/108236/HHRG-115-AP04-Wstate-GreenA-20180426.pdf>, pp. 6~7.

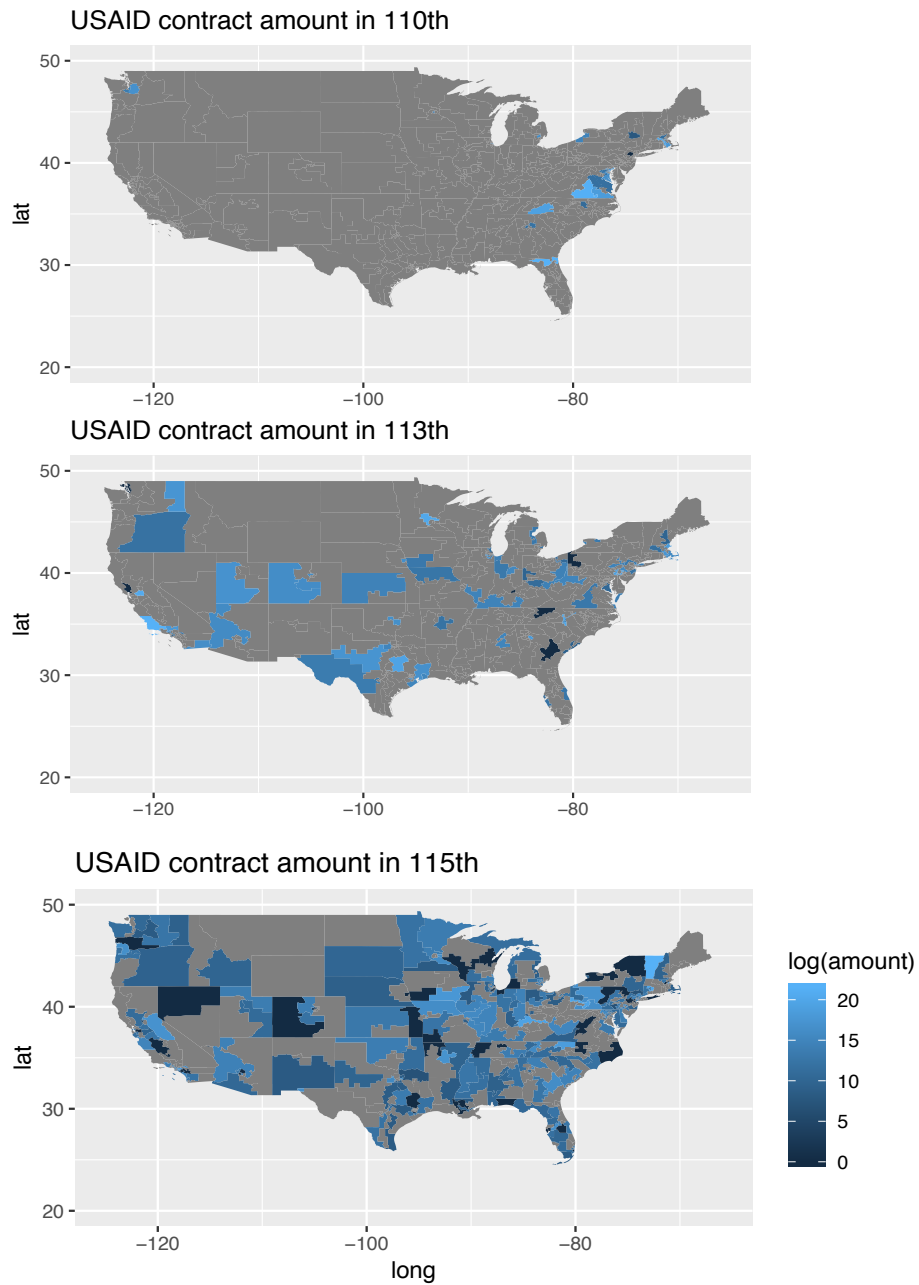


countries, the trend of USAID contracts in Figure III-2 and Figure III-3 exhibits that USAID has multiplied contracts with private firms in the U.S rather than foreign firms.

Strategically, it is better for USAID to make contracts disperse across congressional districts in order to gain more political support for foreign aid and to survive. As illustrated in Figure III-4, initially only a few congressional districts have received contracts from USAID.<sup>57</sup> However, USAID hire more and more private firms, it started to hire more firms from different congressional districts.

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<sup>57</sup> Most of the contracts were concentrated in the area called ‘beltway’ area, which includes Washington D.C. and its nearby areas.



**Figure III-4. Maps of USAID Contract Allocation (110<sup>th</sup>, 113<sup>th</sup>, and 115<sup>th</sup> Congress):** from 2007 to 2018, the number of congressional districts where private firms receive USAID contracts has been increasing rapidly.

Initially, it was inevitable for USAID to employ private firms during its period of crisis. Is it by accident that USAID hired more private firms from different congressional districts? In order to discover whether this distribution of USAID contracts across congressional districts has some political implication, there needs some more evidence.

Evidence that USAID was aware of distributional effects of these contracts can be found in the phone calls received in the liaison office of USAID. Legislators are sensitive with distributional effects of foreign aid in reality can be found in the liaison office of USAID. Fiorina (1989), while explaining legislative liaison, gives an example of the Agency for International Development.<sup>58</sup> He cites De Grazia's example:

“A sampling which represented probably 75 percent of the total, was made of matters handled in the AID Congressional Liaison Office during a single week. The sampling revealed 168 telephone calls from members of Congress and their staffs on such matter as: a company in Wisconsin wanting to bid on planes; a constituent wanting an appointment on a project in Guatemala; a company in North Dakota wanting a contract; a firm protesting an AID contract award to an Oregon firm; ...and employment interest of constituents. During that week there were also 84 requests from members of Congress for information... Approximately 75 letters were sent during that week to members of Congress in response to mail or telephone requests.”<sup>59</sup>

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<sup>58</sup> USAID was called Agency for International Development (AID) in the past.

<sup>59</sup> Edward de Grazia, “Congressional Liaison- An Inquiry into Its Meaning for Congress,” in

This example clearly exhibits that legislators are aware of the fact that foreign aid has distribution effects and it is beneficial for them if they bring foreign aid to their congressional district as a pork barrel. USAID is also aware of legislators being sensitive to interests of their congressional districts. In this sense, legislators are more likely to support pro-foreign-aid bills if they perceive foreign aid as a pork barrel to their districts.

To summarize, I argue that foreign aid creates distributional effects within the U.S. and that this leads to congressional support towards foreign aid. Though many perceive foreign aid as a task of handing money to developing countries, significant part of foreign aid comes back to the donor countries' pocket. When USAID executes foreign aid projects, they do not simply offer funds to the developing countries; however, they hire many private for-profit firms in the U.S. Thus, congressional districts where development firms are given with considerable amount of foreign aid budget benefit from expansion of foreign assistance. Legislators, who are sensitive with interests of constituents, are likely to sponsor pro-foreign-aid bills if their constituents take advantages from them. Therefore, this logic leads to the first hypothesis in this research.

***Hypothesis 1:** As private contractors or development firms in a congressional district receive more fund from USAID, the legislator in the district is more likely to support pro-foreign-aid policies.*

Hypothesis 1 is established based on the fact that development firms form a

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Congress: The First ranch, p. 314; recited from Fiorina, Morris P., 1989, *Congress: Keystone of the Washington Establishment*, Yale University Press, pp. 64~65.

portion of constituency in a congressional district, who benefit from foreign aid. Another aspect of development firms that should be highlighted is that they form an interest group, a group with common interest. As explained above, the aid contractors are delegated by USAID to carry out U.S. foreign aid programs. Their source of finance is affected by foreign aid budget. Considering that some of top contractors are started with the contracts and have grown into larger firms profiting from USAID contracts, we can assume that their finance is highly influenced by USAID budget.<sup>60</sup> In fact, congressional appropriation for foreign aid is closely related to their livelihood as well as development firms' organizational goals. Therefore, they have strong incentives to support foreign aid.

Dependent on contracts of USAID, aid contractors seem to be at the bottom of the delegation chain. As an agent, they are simultaneously overseen by their principal, USAID. They can be exempted from foreign aid programs by USAID if they are not delivering assigned tasks properly. Expulsion of Academy for Education Development (AED) from USAID contract outlines that USAID is able to rescind contracts with the private contractors when the firms abuse their discretion.<sup>61</sup> It was criticized by both Congress and USAID. This incident shows that development firms are agents, which are under control of their principals, USAID and the Congress.

However, this simple one-way principal-agent chain is not the end of the explanation about the relationship among the key actors. The presence of aid

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<sup>60</sup> It is possible that they have multiple financial sources other than USAID contract. However, as it is explained, it is reasonable to assume that their financial status is highly influenced by foreign aid budget allocated to USAID; Robert, 2014, pp. 1036~1039.

<sup>61</sup> AED committed "serious corporate misconduct, mismanagement and a lack of internal controls" in Pakistan projects. It was expelled from the contract list of USAID.

contractors creates more intriguing relationships between the three key groups of actors. Aid contractors or development firms hold more than one role in the PA relationship. They are not just a beneficiary of foreign aid programs. As a special interest group, they are a facilitator of informational dissemination among domestic actors. They form a special interest group as they have a common interest to actively convince legislators to support foreign aid policy and to expand contracts to private firms.

As many political science literatures emphasize, interest groups play a significant role in affecting legislators' decision-making process (Grossman and Helpman, 2001; Anthony, 1957). They actively contact, educate, and provide information to the legislators. This activity of disseminating information and persuading legislators can be called 'lobbying activities.' However, there is an obstacle for an interest group called 'collective action problem.' Unless the interest group overcomes this problem, effective lobbying activities would be very difficult.

Even though multiple groups or individuals have a common interest, it does not mean that it is mandatory for them to act collectively. Collective action is hard to be arranged, because there is always a free-rider problem.<sup>62</sup> Thus, there still needs some more explanation about collective action problems, when I claim that aid contractors or development firms form an interest group and they conduct lobbying activities in order to influence legislators' decision-making process in foreign aid field.

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<sup>62</sup> Mancur Olson claims that though there is a group of people with a common interest, it is not necessarily directly connected to formation of a group, who acts collectively. Problem of free-riding. In case of development firms, there were k-group that pioneered formation of a group for collective action. See Olson, Mancur, 1971, *The Logic of Collective Action*, Harvard University Press, Chapter 1 & 2.

In reality, NGOs and for-profit development firms compete over the governmental resource. Though it is better for all aid contractors to act collectively in order to make an ally of legislators, it is rational for an individual aid contractor to do nothing and wait for others to take an action. As the number of aid contractors increases, collective action problem becomes more apparent.

As a solution to this collective action problem, aid contractors have formed an alliance in order to overcome this collective action problem. In early 1990s, aid contractors decided to join a lobbyist group called Professional Services Council (PSC) out of fear that foreign aid industry would decline if there is no congressional support.<sup>63</sup>

Enrollment to PSC was an initial gesture of aid contractors. As a more active way to overcome this collective action problem, the aid contractors have formed a group, called the U.S. Global Leadership Coalition (USGLC). USGLC consists of more than 500 businesses and non-profits and its leaders are mostly leaders of top aid contractors. The top aid contractors have become the k-group that helps overcoming collective action problems. As stated in its website, its mission is “to strengthen America’s civilian-led tools-development and diplomacy -alongside defense. [It advocates] for a strong International Affairs Budget.”<sup>64</sup> This group has relentlessly contacted with legislators and lobbied for international development policies. Through lobbying, they have provided information to legislators, USAID, and also to the public.

In fact, in addition to individual lobbying activities of aid contractors,

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<sup>63</sup> PSC is a lobbying organization which advocates for the federal contractors; Lundsgaarde, 2012, p. 154~155.

<sup>64</sup> USGLC’s official website: <https://www.usglc.org> (Last accessed May 10 2019)

USGLC forms a strong coalition among the development firms, and it has been most active in lobbying pro-foreign-aid policies. The following quote from the president and chief executive officer of USGLC highlights how lobbying activities of aid contractors contributed to political support for foreign aid:

“In the past decade, the most consequential and lasting shifts in policymakers’ support for foreign assistance has come as the groundwork spread far outside the beltway. In the last election cycle alone, nearly 200 candidates met with foreign assistance advocates—groups of local business, faith, NGO, veteran, and community leaders—in their home districts. These meetings, led by highly influential supporters of foreign assistance, have been critical in both educating skeptics and reinforcing champions, showcasing the strength of constituent support for global development.”<sup>65</sup>

Provision of information to legislators is at the heart of lobbying activities.<sup>66</sup> Some lobbyists even write a bill by themselves in place of a legislator. The aid contractors individually and collectively lobby the legislators. Figure III-5 shows which issue the top 15 aid contractors lobbied for and Figure III-6 the number of legislators who sponsored bills that top 15 aid contractors have lobbied for from

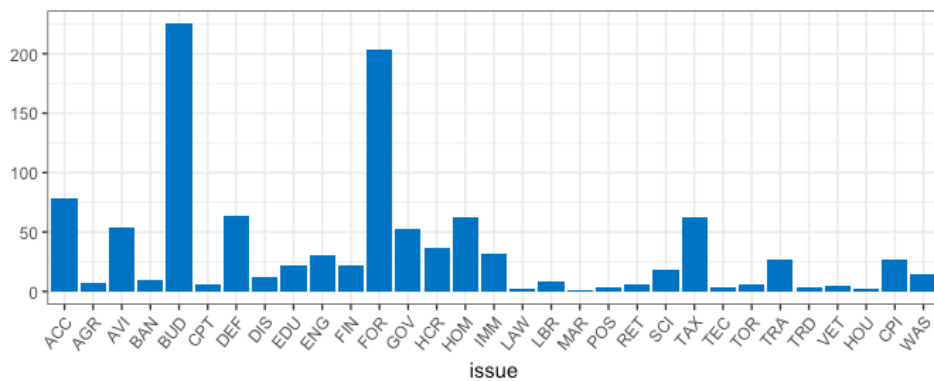
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<sup>65</sup> Schrayner, 2017.

<sup>66</sup> Austen-Smith, David, 1993, “Information and Influence: Lobbying for Agendas and Votes,” *American Journal of Political Science*, pp. 799~833; Austen-Smith, David, 1996, *Interest Groups: Money, Information and Influence*, Cambridge; Lohmann, Susanne, 1995, “Information, Access, and Contributions: A Signaling Model of Lobbying,” *Public Choice*, Vol. 85, Issue 3-4, pp. 267~284.



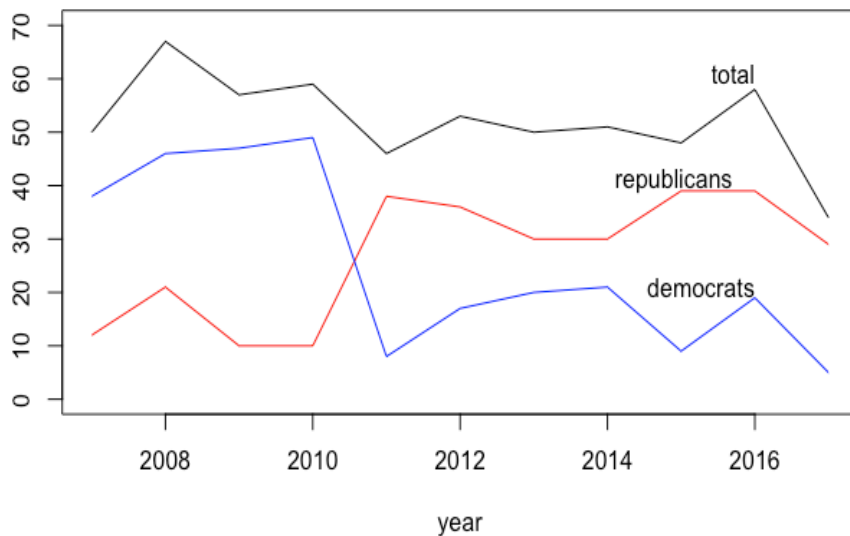
2008 to 2017.<sup>67</sup> For convenience, we call these legislators the “lobbied sponsors.” These descriptive figures show that aid contractors have continuously lobbied to legislators and they mostly lobbied for bills related to foreign policy and budget. Since top 15 contractors receive significant amount of money from USAID for foreign aid programs, it is likely that the issues were closely related with foreign aid.



**Figure III-5. Issues Lobbied by Top 15 USAID Contractors (2008-2017):** it shows the frequency of lobby contacts of the top 15 USAID contractors for each issue area. Budget issue (BUD) is the most frequently-lobbied issue, while foreign affairs (FOR) is the second most frequently-lobbied issue. *Data Source:* LobbyView.org<sup>68</sup>

<sup>67</sup> Among about 4,200 aid contractors, top 15 contractors each year are selected. Top 15 contractors (2008-2017) and groups they have formed for collective action for lobbying include: ACDI/VOCA, Engility Corp., Deloitte Consulting LLP, Deloitte LLP, Population Services International, Save the Children Federation Inc., US Fund for UNICEF, L-3 Communications Holdings Inc., Catholic Relief Services, Tetra Technologies Inc., Gavi Alliance, Development Alternatives Inc., Friends of the World Food Program (World Food Program USA), Academy for Educational Development, BearingPoint Inc., Berger Group Holdings, Booz Allen Hamilton Inc., Research Triangle Institute, AECOM Inc., Computer Sciences Corp, US Global Leadership Campaign, Planned Parenthood Federation of America.

<sup>68</sup> Kim, In Song, 2018, “LobbyView: Firm-level Lobbying & Congressional Bills Database,”



**Figure III-6. The Number of Lobbied Sponsors:** the graph indicates the number of bills sponsored by the top 15 aid contractors. According to the partisanship of a legislator who sponsored the bill, the lobbied sponsors can be divided into republicans and democrats.  
*Data Source:* LobbyView.org

The following question that should be answered is whether the lobbying activities of aid contractors were effective. In a report posted in Brookings.edu, Liz Schrayner (2017) provides an example of two congressmen who have changed their preferences towards foreign aid. She states that a junior member of Congress from the Midwest initially objected foreign aid-claiming that it is better to build a school at home than abroad. However, after he visited a USAID agriculture program in Africa, “he became a staunch believer and vocal advocate for the foreign assistance budget.” Similarly, a newly elected senator, who had said his constituents do not like foreign aid, changed his thought after meeting prominent and well-respected

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Working paper available from: <http://web.mit.edu/insong/www/pdf/lobbyview.pdf>. (Last accessed May 17 2019).

generals and diplomats in a meeting held by the USGLC. It is hard to say that the two examples represent the whole Congress; however, these two examples clearly reveal that lobbying activities have some degree of influence over legislators.

In summary, USAID contractors have formed a strong coalition and they strategically lobby in order to promote pro-foreign-aid bills. They deliver information about the importance of foreign aid as well as its distributional effects. Therefore, in this research, I suggest another hypothesis highlighting this role of aid contractors.

***Hypothesis 2:** A legislator is more likely to support pro-foreign-aid policies when he/she is contacted by major USAID contractors.*

In order to establish theoretical hypotheses, this chapter has reviewed the theories in international politics which explore how domestic politics form foreign policies and examined how PA models are applied in political science. By combining two concepts, this chapter has built two main hypotheses and qualitatively explained the mechanisms operating behind the hypotheses. In order to test these hypotheses, this paper employs a quantitative analysis.

## IV. Empirical Analysis

Asking why donor countries continuously provide foreign aid to developing countries, this thesis investigates domestic political dynamics within the U.S. and the preceding chapter suggests two hypotheses pointing out the roles played by the development firms. In order to test the two hypotheses, this paper operates statistical analysis. This section describes data used in statistical analysis and presents the results of the analysis.

This thesis utilizes congressional district level time-series contract data, firm-level lobby data and individual-level legislators' preference data. The three data sets are merged according to their geographical locations. This empirical analysis deals with recent time period after the global economic crisis, which is from the 111<sup>th</sup> to the 115<sup>th</sup> U.S. Congress.<sup>69</sup>

### 1. Data

In order to conduct an empirical analysis for the two hypotheses three main data sets are required: legislators' preferences over foreign aid policies as a dependent variable, the amount of aid contracts for each congressional district as independent variable for the first hypothesis, and development firms' lobby contacts to legislators as another independent variable for the second hypothesis.

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<sup>69</sup> There exists a widely held view that foreign aid is vulnerable to economic crisis. When economic situations in donor countries are in urgent situation, donor countries tend to take care of their domestic issues more ardently than issues in developing countries. On the contrary, there are some scholars that effects of economic crisis on foreign aid is ambiguous (e.g. Heinrich, Kobayashi and Bryant 2016). In the meantime, the period of global economic crisis is not included for this analysis.

To measure a legislator's preferences over foreign aid, this thesis uses (co)sponsorship data. Measuring a legislator's preferences requires a delicate approach. Many previous literature use legislators' voting patterns in order to measure legislator's stance towards an issue.<sup>70</sup> However, for foreign aid issue, it is problematical to use voting results as the measurement for two reasons. First, there are only few votes related to foreign aid issues, because foreign aid is not a salient issue. Most of the time, issues of foreign aid do not attract much attention from legislators; therefore, it is usually not on an agenda list for voting. Aid-related bills, which have vote results, are usually intertwined with other issues or they are usually embedded in an omnibus bill.<sup>71</sup> Second, a vote of an enthusiastic supporter is not distinguished from a vote of a legislator who has other purposes.<sup>72</sup> Some legislators do not have specific preference in this issue so that they just follow the partisan ideology.

Instead of voting results, this research utilizes the records that list the sponsor and cosponsors of pro-foreign-aid bills in the 111<sup>th</sup> to 115<sup>th</sup> Congress as to operationalize the legislators' support for pro-foreign-aid bills. This thesis assumes that both sponsorship and cosponsorship are signals that indicate some degree of support for pro-foreign-aid bills.<sup>73</sup>

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<sup>70</sup> Milner and Tingley, 2010; Powers, Leblang, and Tierney, 2010, Fleck and Kilby, 2001; Peltzman, 1984.

<sup>71</sup> In fact, there are some votes that solely target foreign aid issues. However, the number is so small that it is hard to perceive legislators' preference across the time period.

<sup>72</sup> Baldwin, David A., 1966, "Analytical Notes on Foreign Aid and Politics," *Background*, Vol. 10, Issue 1, pp.86~87.

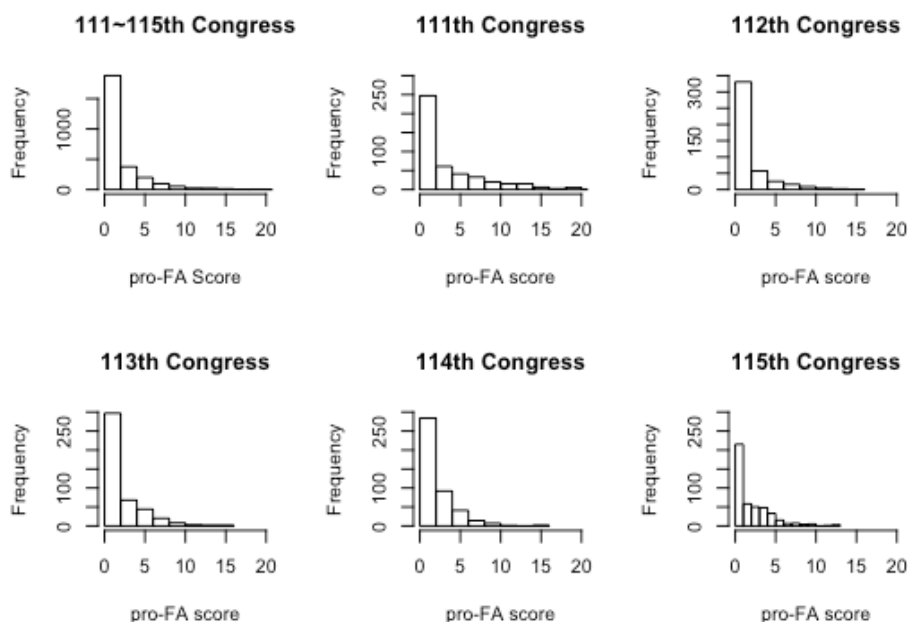
<sup>73</sup> Kessler, Daniel and Keith Krehbiel, 1996, "Dynamics of Cosponsorship," *The American Political Science Review*, Vol. 90, Issue 3, pp.555~566; Wilson, Rick K. and Cheryl D. Young, 1997, "Cosponsorship in the US Congress," *Legislative Studies Quarterly*, pp. 25~43.

To depict the frequency of a legislator's sponsorship or cosponsorship, I created a 'sponsorship score' variable. This variable counts how many times a legislator has sponsored or cosponsored a pro-foreign-aid bill for each Congress. A higher sponsorship score indicates that the legislator has a stronger preference for pro-foreign-aid policies.

For this research, among the many bills related to foreign assistance, I chose economic development aid bills. Thus, in this research, pro-foreign-aid bills are defined as bills that are related to economic development aid. Bills that target specific countries, and partisan issues, such as immigration and abolition, are not included. In order to obtain the list of pro-foreign-aid bills, I used the website, <http://Congress.gov>. Through this website, I could access bills in international affairs policy area with subject terms, 'foreign aid and international relief.' Then, bills that target specific countries, contain specific partisan issues, or limit foreign aid programs by attaching harsh conditions were eliminated. The list of the bills is attached as Appendix D. With these pro-foreign-aid bills, dependent variable is made. This variable indicates how many pro-foreign-aid bills each legislator has sponsored or cosponsored. This dependent variable is called 'pro-FA(Foreign Aid) sponsorship score.'

Figure IV-1 shows a histogram of the data in each congress. As expected, 0 pro-FA score shows the highest frequency. This means that a large portion of legislators do not actively support pro-foreign-aid bills. This implies that they are either indifferent to the foreign aid bills or they are on the side of anti-foreign aid. It is difficult to differentiate between indifference towards foreign aid and anti-foreign-aid position. However, it is reasonable to say that a legislator has a supportive stance towards foreign aid if he/she sponsors or cosponsors pro-foreign-aid bills. Sponsorship or cosponsorship of pro-foreign-aid bills is considered as an

active political gesture representing pro-foreign-aid stance.



**Figure IV-1. Histogram of Pro-foreign-aid (pro-FA) Score:** the histogram shows the number of legislators arranged according to their frequency of (co)sponsoring a pro-foreign-aid policy. According to this histogram, most legislators do not co(sponsor) a pro-foreign-aid bill; therefore, the highest bar is on 0. There are few legislators who co(sponsored) pro-FA bills more than 15 times. *Data Source:* Congress.gov.

In order to test the first hypothesis, “As private contractors or development firms in a congressional district receive more fund from USAID, the legislator in the district is more likely to support pro-foreign-aid policies,” the amount of funds that development firms receive from USAID should be calculated. As development firms take a portion of constituents in a congressional district, foreign aid becomes a pork barrel. The legislators are aware of the fact that the finance goes into their congressional districts.

award_id_piid	parent_award_agency_name	federal_action_obligation	action_date	period_of_performance_start_date	period_of_performance_current_end_date	period_of_performance_potential_end_date
AID0AATO1500011	AGENCY FOR INTERNATIONAL DEVEL	550000	2017-04-25	2017-04-21 00:00:00	2020-04-23 00:00:00	2020-04-23 00:00:00
AIDOTIS1700016		0	2017-04-24	2017-04-21 00:00:00	2017-04-21 00:00:00	2017-04-21 00:00:00
AIDOFDAS1600078		0	2017-01-09	2017-01-06 00:00:00	2018-05-28 00:00:00	2018-05-28 00:00:00
AIDOTIS1600033		55333	2016-11-17	2016-11-17 00:00:00	2017-03-08 00:00:00	2017-03-08 00:00:00
AID674S1700004		113083	2017-06-13	2017-06-12 00:00:00	2019-08-05 00:00:00	2019-08-05 00:00:00
AID0AATO1600018	AGENCY FOR INTERNATIONAL DEVEL	3724515	2017-09-08	2017-09-07 00:00:00	2021-09-15 00:00:00	2021-09-15 00:00:00
AIDOTIS1600053		75000	2017-05-03	2017-05-15 00:00:00	2018-05-14 00:00:00	2021-05-14 00:00:00
AID0AATO1500011	AGENCY FOR INTERNATIONAL DEVEL	877709	2016-12-14	2016-12-08 00:00:00	2020-04-23 00:00:00	2020-04-23 00:00:00
AID0AATO1200060		0	2016-11-30	2016-11-30 00:00:00	2017-01-30 00:00:00	2017-01-30 00:00:00
AID0AATO1500011	AGENCY FOR INTERNATIONAL DEVEL	145300	2017-09-29	2017-09-28 00:00:00	2020-04-23 00:00:00	2020-04-23 00:00:00
AID0AATO1600013		50000	2017-06-06	2017-06-06 00:00:00	2019-07-20 00:00:00	2019-07-20 00:00:00
AID680O1700008		28959	2017-09-26	2017-09-26 00:00:00	2017-12-25 00:00:00	2017-12-25 00:00:00
AID0AATO1700027	AGENCY FOR INTERNATIONAL DEVEL	3691649.12	2017-09-29	2017-09-30 00:00:00	2022-09-29 00:00:00	2022-09-29 00:00:00
AID675S1700001		141874.93	2016-10-26	2016-11-13 00:00:00	2018-11-12 00:00:00	2018-11-12 00:00:00
AIDCS3S1600022		5746	2017-03-02	2017-02-23 00:00:00	2020-07-11 00:00:00	2020-07-11 00:00:00
AID388O1700061		8175	2017-09-21	2017-09-20 00:00:00	2017-10-31 00:00:00	2017-10-31 00:00:00

**Figure IV-2. Aid Contract Data Screenshot:** it is a screen-captured image of the data downloaded from USAspending.gov. In the data set, the ID for each award given to development firms, the amount of the award, award given date, purpose of the award, name of the development firms, their congressional districts, type of the development firms, and some characteristics of the firms. *Data Source:* USAspending.gov.

The data of the amount of aid contracts allocated across the congressional districts is available to the public. The Federal Funding Accountability and Transparency Act of 2006 (FFATA) “requires federal contract, grant, loan, and other financial assistance awards of more than \$25,000 be displayed on a publicly accessible and searchable website to give the American public access to information on how their tax dollars are being spent.”<sup>74</sup> The website, *USAspending.gov*, offers information about each contract that USAID made with private firms from 2008. Figure IV-2 shows a portion of the whole data set. The data contains 251 columns of variables. Among these, names of the development firms, the amount of federal action, the year, and the congressional district that the development firm is located in are extracted for the analysis. With this data, I aggregated the amount of money that each development firm received from

<sup>74</sup> Quoted from <https://www.usaspending.gov/#/about> (Last accessed November 2 2018).



USAID by congressional districts. With this new variable, I could identify how much money was delivered to domestic development firms in each congressional district through aid contracts with the USAID.

In order to test the second hypothesis, “A legislator is more likely to support pro-foreign-aid policies when he/she is contacted by major USAID contractors,” it is necessary to measure whether a legislator had a contact with a development firm. In order to operationalize this action, this thesis sets a lobby variable. In this paper, it is assumed that transmission of information about the importance of foreign assistance as well as the distributive effects toward a legislator’s district is conveyed through the lobbying activities of development firms. Therefore, data that identifies which firms contacted whom are two necessary information required for creating this variable. However, there is no data that provides this lobbying connection between a firm and a legislator. A lobby variable presented in this thesis is established with an intention to indicate whether a legislator has been in contact with a development firm but unfortunately it has some critical limitations.

Among many development firms, this paper considers only top 15 aid contractors who received the largest sum of funds for aid contracts from USAID between 2008 and 2015.<sup>75</sup> In addition, USGLC, which is an organization formed by aid contractors and other development firms, is included in the list. Founded on the Lobbying Disclosure Act of 1995, lobby reports are available to the public. Lobbyview.org provides a comprehensive digitalized lobby data. On the LobbyView website, I manually checked whether the top contractors have ever

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<sup>75</sup> Among these top 15 contractors, only a portion of them made a lobby report. Not all top 15 contractors have lobbied. The names of the top 15 contractors are written in the footnote no.64.

lobbied since 2008. When it is confirmed that a firm has lobbied, all the lobby reports submitted by the firm are extracted.

It should be accounted that there is a critical limitation using this lobby data. The data lists the name of the sponsor of a bill that the firm has lobbied for. It never states whether the lobbyist directly contacted a legislator. Therefore, this paper assumes that when a lobbyist lobby for a bill, it had a direct contact with the sponsor of the bill. Lobbyists are known as transferrer of information. Some are known to even write a bill by themselves. Following extant literature, I assume that lobbyists are closely related to the sponsor of the bill mentioned in the lobby report.<sup>76</sup> The variable is dichotomous. It is recorded as 1 if the legislator has contacted with any top aid contractor.

Another factor that must be taken into account is the issue area that the lobby pursues. It is possible that the top aid contractors contact a legislator for reasons other than aid-related purposes, because the development firm may have multiple interests. It may lobby for bills related to transportation, energy, budget and others. Among other issues, foreign affairs issue is where foreign aid bills belong. In order to extract more exact proxy for aid-lobby contacts, a model (Model 4) in the results uses the lobby data which only belongs to foreign affairs issues.

Besides the two main hypotheses, other factors that might affect legislators'

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<sup>76</sup> Kim, In Song, 2017, "Political Cleavages within Industry: Firm-Level Lobbying for Trade Liberalization," *American Political Science Review*, Vol. 111, Issue 1, pp. 1~20; Kim, In Song and Dmitriy Kunisky, 2018, "Mapping Political Communities: A Statistical Analysis of Lobbying Networks in Legislative Politics"; Kim, In Song, 2018, "LobbyView: Firm-level Lobbying & Congressional Bills Database," Working paper available from: <http://web.mit.edu/insong/www/pdf/lobbyview.pdf>. (Last accessed May 17 2019).

preference over foreign aid should be taken into account. In order to control these factors, control variables are added. The first factor that should be explained is a legislator's ideology. In extant literatures, it has been discussed that a government whose dominant party is the left or supports domestic redistribution tends to strengthen foreign aid.<sup>77</sup> Therefore, legislators with more left-leaning ideology are more likely to actively support foreign aid rather than those with more right-leaning ideology. In order to put this factor as a control variable in this analysis, this paper measures a legislator's ideology using DW-NOMINATE score, which measures the ideology of each legislator through voting records.

Second, a membership in the Foreign Affairs Committee or the Appropriations Committee is another factor that should be accounted. A committee is a sub-organization in the Congress, which fosters floor debate about bills related to the committee issue and handle the issues. Therefore, if a legislator belongs to the Foreign Affairs Committee, he/she has more opportunities and duties to handle foreign aid issues. This does not guarantee that they are on the pro-foreign-aid side, but it is likely that the committee members actively debate about foreign-aid bills; therefore, have more chances for the more active support. Moreover, the Appropriations Committee member is also likely to deal with issues related to foreign aid budget. In the same logic, they have more chances of actively dealing with foreign aid issues. In order to account this factor, this paper uses Stewart and Woon(2017)'s committee data. The Foreign Affairs/Appropriations Committee variable is checked as 1 if the legislator is in the committee and 0 otherwise.

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<sup>77</sup> Lumsdaine, David H., 1993, "Do Morals Matter in International Politics?" *Moral Vision in International Politics: The Foreign Aid Regime, 1949-1989*, pp.3~29; Thérien, Jean-Philippe and Alain Noel, 2000.

Economic factors are added as control variables as well. Though it is controversial, foreign aid is usually known to be vulnerable to economic crisis. Bring this logic to the congressional district level, bad economic situation in a congressional district leads to less supportive attitude towards foreign aid. In order to measure economic status of a congressional district, this paper employs median household income and unemployment rate of each congressional district. Milner and Tingley(2010) has also used these two indicators as control variables.

Merging all data sets, this thesis operates a regression analysis. Table IV-1 shows the list of dependent, independent and control variables used in the regression model. Moreover, Appendix E shows statistical summary of each variable.

Variables	Description	Data Source
FA score	The frequency of sponsorship/cosponsorship towards pro-foreign aid bills	Congress.gov
ln(aid contract)	Logged amount of aid contracts in a congressional district.	USAspending.gov
lobby	Lobby contact variable that indicates whether an aid contractor has lobbied for the bill that a legislator sponsored.	LobbyView.org
NOMINATE dim1	First NOMINATE dimension that measures left-to-right ideological scale. (Liberal: negative value, Conservative: positive value)	Voteview.com
FA comm.	Coded 1, if the legislator is in the foreign affairs committee	Stewart III &Woon (2017)
Approp. Comm.	Coded 1, if the legislator is in the appropriation committee	Stewart III &Woon (2017)
ln(income)	Logged household income in each congressional district.	U.S. Census Bureau
unemployment	Unemployment rate in each congressional district.	U.S. Census Bureau

**Table IV-1. List of Dependent/Independent/Control Variables:** the table shows the name of the variables appearing on the result table, their descriptions and data source.

## 2. Results

	<i>OLS</i>		<i>linear mixed-effects</i>	<i>OLS</i>	<i>negative binomial</i>
	Model1	Model2	Model3	Model4	Model5
	(1)	(2)	(3)	(4)	(5)
ln(aid contract)	0.048*** (0.008)	0.046*** (0.008)	0.048*** (0.008)	0.039*** (0.011)	0.014*** (0.004)
lobby	0.627*** (0.154)	0.548*** (0.151)	0.557*** (0.150)	1.338*** (0.302)	0.280*** (0.103)
NOMINATE dim1	-3.424*** (0.120)	-3.124*** (0.132)	-3.187*** (0.126)	-2.821*** (0.200)	-1.387*** (0.080)
FA comm.	2.818*** (0.175)	2.796*** (0.174)	2.794*** (0.172)	2.493*** (0.224)	0.930*** (0.076)
Approp. comm.	0.670*** (0.166)	0.716*** (0.163)	0.691*** (0.162)	0.551*** (0.208)	0.279*** (0.078)
ln(income)				2.409*** (0.397)	1.067*** (0.155)
unemployment				0.346*** (0.078)	0.123*** (0.029)
Observations	2,220	2,220	2,220	1,428	1,428
R <sup>2</sup>	0.370	0.430		0.443	
Adjusted R <sup>2</sup>	0.368	0.414		0.422	

*Note:* \*p<0.1; \*\*p<0.05; \*\*\*p<0.01

**Table IV-2. Results:** 5 models are employed for the analysis. Model 1 is a pooled OLS analysis, Model 2 a fixed-effect analysis, Model 3 a random-effect analysis, Model 4 another fixed-effect analysis (with ‘lobby’ variable subjected to foreign affairs issue only), and Model 5 fixed-effect negative binomial analysis.

This paper analyzes the legislators’ sponsorship for pro-foreign-aid bills between the 111<sup>th</sup> and 115<sup>th</sup> Congress by employing fixed-effect negative binomial model (Model 5). The unit of analysis in this research is a legislator in a Congress. Though it is appropriate to use fixed-effect negative binomial model, this paper also provides results derived from other models. The following table IV-2 shows results obtained from 5 models: Model 1 is a pooled Ordinary Least Squares (OLS) model, Model 2 a fixed-effect model, Model 3 a random-effect model, Model4

another fixed-effect model with modified ‘lobby’ variable and additional economic variables, and finally Model 5 a fixed-effect negative binomial model.

Model 1 is the result of OLS analysis. The results exhibit that both aid contract amount and lobby variables have significant effects on pro-foreign-aid score. Among the five models, this first model shows the strongest impact of the explanatory variables. However, this model may be the one with the most biases. It assumes that observations are independent from one another. Legislators’ preference for pro-foreign-aid bills are likely to be influenced by geographical as well as time variables. Consequently, this model is not an appropriate model for this empirical analysis.

In order to minimize this group-level variation, both fixed-effect model and random-effect model are implemented in Model2 and 3. For Model2, I added states and congress dummy variables, which indicate geographical and time groups respectively. These nuisance dummy variables are not reported in the table IV-2. By containing the states’ natural characteristics and time-specific characteristics, it is possible to find more valid results. Both fixed and random-effect models show that contract amounts in a congressional district and lobby contacts increase the likelihood of a legislator’s decision to sponsor pro-foreign-aid bills.

Model 4 is also a fixed-effect model like Model2 but with a different set of lobby variable and with new economic control variables. For Model 4, new lobby variable, which considers only lobby activities under foreign issue. Lobby reports under budget, tax and the other issues are not taken into account. In addition, because economic data in the 115<sup>th</sup> Congress data is incomplete, the data of this time period is removed and two economic control variables are added. Many trials and combinations of these changes show the robust relationship between the dependent and independent variables.

However, these four models are not the best models for estimation, because of the distribution of the dependent variable. As figure IV-1 shows, the dependent variable in this research is a count data with many zeros. Therefore, it is necessary to adjust this distortion.<sup>78</sup> For a dependent variable with inflated-zero distribution, negative binomial model is appropriate. Therefore, for Model 5, the fixed-effect negative binomial model is used in order to reduce this bias.

Table IV-2 show that regardless of the models, both the amount of aid contracts in a congressional district and lobby contact with a legislator in a district have positive relationship with aid bill sponsorship. Though not reported, results derived from the poisson, the zero-inflated poisson, and the zero-inflated binomial models display consistent and robust relationships among the variables. Controlling other variables, as more amount of contract money goes to a congressional district, a legislator in the district is more likely to support for pro-foreign-aid bills. Moreover, development firms' lobbying activities are highly associated with legislators' sponsorship for pro-foreign-aid bills. These results confirm both hypotheses suggested in the previous section.

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<sup>78</sup> Long, J. Scott, 1997, "Regression Models for Categorical and Limited Dependent Variables," *Advanced Quantitative Techniques in the Social Sciences*; Cameron, A Colin and Pravin K Trivedi, 2013, *Regression Analysis of Count Data*, Vol. 53, Cambridge University Press.



## V. Conclusion

By questioning why developed countries continue to provide foreign aid to developing countries, this paper examines the role of development firms in the continuing domestic support of foreign aid in the U.S. Development firms are not only agents who work on behalf of USAID, but they are also the principals of legislators. This unique position of development firms creates a circular principal-agent relationship among the three key actors in the foreign aid arena: U.S. Congress, USAID, and development firms. Moreover, as an interest group with a strong preference towards pro-foreign-aid policies, development firms disseminate information and persuade legislators to support foreign aid through lobbying activities.

Based on the circular principal-agent theory of domestic support for foreign aid, this paper proposes and tests two hypotheses. Through analyzing individual-level legislator data, congressional district-level contract data, and firm-level lobby data from the 111<sup>th</sup> to 115<sup>th</sup> Congress, I found that (1) the allocation of aid contracts across congressional districts is positively correlated to the frequency of (co)sponsorship for pro-foreign-aid bills and (2) lobby contacts of top development firms are positively associated with the frequency of pro-foreign-aid (co)sponsorship.

This paper complements extant researches in four aspects. In addition to the preceding efforts of analyzing international politics through the prism of domestic politics, this thesis investigates how foreign aid is maintained and expanded by examining the political dynamics of domestic actors. Moreover, by modifying the extant one-way principal-agent model, this paper introduces a circular principal-

agent model. Development firms play multidimensional roles in domestic politics that induce a circular structure of principal-agent model. Together with this unique form of the principal-agent model, this thesis also stresses the importance of the interest groups. Development firms are not mere third party advocating their interests. They are implementers of foreign aid projects, legislators' indispensable constituents, as well as information disseminators. Lastly, this paper also contributes to the recent academic trend of approaching the research question at a micro-level by utilizing congressional district-level and firm-level data for analysis.

This thesis is not without a limitation. First, it should be remarked that political dynamics surrounding a foreign policy cannot be fully explained without an international-level analysis. This paper focuses on domestic-political factors to explain the continuous support for foreign aid. There requires an international-level analysis in order to fully analyze the interaction between international and domestic politics. Additionally, the president is another important political actor when discussing foreign policy at domestic level. The discussion should be added in order to see more precise explanations for the political dynamics within the U.S. Moreover, critical assumptions were made when dealing with lobby data. More delicate statistical methodology and accurate data are required in order to improve this quantitative analysis. Last but not least, there is a lack of external validity. This paper focuses on the case of the U.S. There is no evidence that the same statements are applicable to other developed countries. As each country has a different state-market relationship, the theory presented in this paper is not applicable to all countries. It may be applicable to those countries with a high level of privatization and lobbying system; and less appropriate to more state-centric countries.

Despite these limitations, this paper still propounds some policy implications. There is a tendency that people perceive interest groups negatively,

because they lobby in favor of their own interests. This paper shows that their interest-seeking behavior generates positive impacts on international cooperation. Private for-profit development firms provide critical links in domestic and international politics. The empowerment of development firms through a series of policies and transparent connection with political actors would help secure domestic support for foreign aid. Nevertheless, we should be cautious about the downsides of this dynamics as well. Although these development firms help promote domestic support for foreign aid, it is not desirable to propel foreign aid policies solely from an interest-seeking perspective. It is always necessary to recognize the fundamental goal of foreign aid. Executive agencies, such as USAID, should overwatch development firms' activities in delivering international development projects and keep the projects consistent with the value of humanity.

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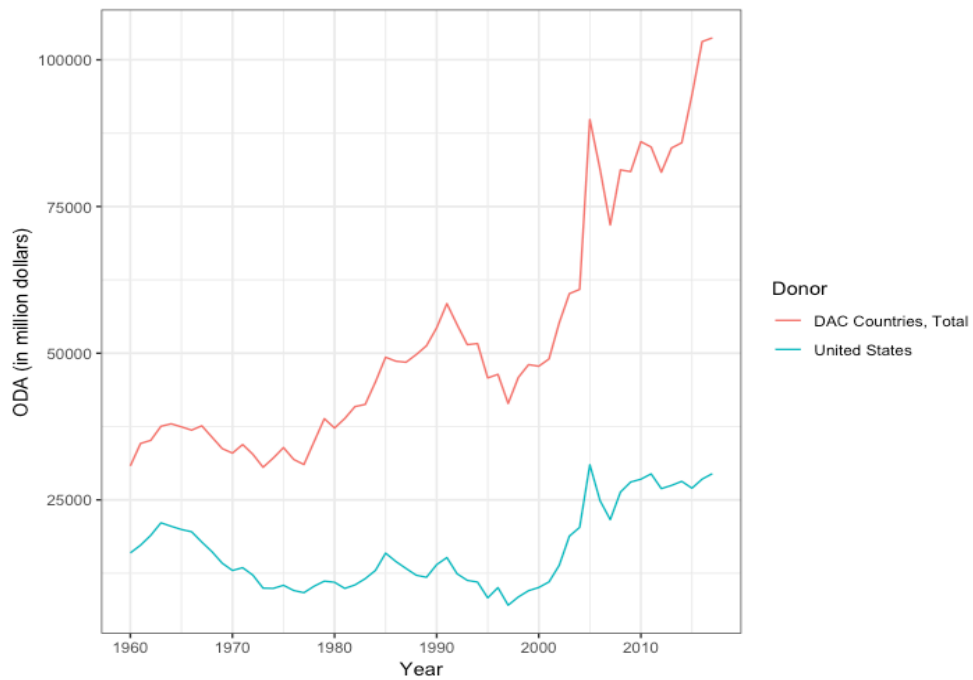
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## Appendix A. The Trend of ODA Flow



**Figure A-1. Trend of ODA Flow (total amount of ODA from OECD countries):** the overall ODA flow shows an increasing trend. The total amount of ODA from OECD countries -both bilateral and multilateral aid- has increased over decades. *Data Source:* OECD DAC

## Appendix B. Top 10 Aid Contractors

year	state	company	amount	rank
2008	DC	GLOBAL HEALTH FUND	640784629	1
2008	VA	INTERNATIONAL RELIEF AND DEVELOPMENT, INC.	512475414	2
2008	DC	CHEMONICS INTERNATIONAL INC	500653661	3
2008	DC	ACADEMY FOR EDUCATIONAL DEVELOPMENT	325704954	4
2008	DC	GAVI ALLIANCE (FORMERLY KNOWN AS THE GAVI FUND)	287652000	5
2008	DC	WORLD FOOD FOR PROGRAM	278894000	6
2008	NJ	BERGER LOUIS GROUP INC	254627581	7
2008	NC	RESEARCH TRIANGLE INSTITUTE	238152114	8
2008	GA	COOPERATIVE FOR ASSISTANCE AND RELIEF EVERYWHERE INC (AN ASS	233672459	9
2008	DC	AMERICAN INSTITUTES FOR RESEARCH IN THE BEHAVIORAL SCIENCES	211917198	10
2009	DC	WORLD FOOD PROGRAM	1025880438	1
2009	VA	BEARINGPOINT INCORPORATED	549302225	2
2009	DC	CHEMONICS INTERNATIONAL INC	541578702	3
2009	DC	ACADEMY FOR EDUCATIONAL DEVELOPMENT	441443392	4
2009	NJ	BERGER LOUIS GROUP INC	437096444	5
2009	DC	MANAGEMENT SYSTEMS INTERNATIONAL, INC	363496276	6
2009	CA	ASIA FOUNDATION (TAF)	317496874	7
2009	MA	JOHN SNOW INCORPORATED	301091966	8
2009	VA	PARTNERSHIP FOR SUPPLY CHAIN MANAGEMENT, INC	289422872	9
2009	VA	INTERNATIONAL RELIEF AND DEVELOPMENT, INC. (I	246733253	10
2010	DC	INTERNATIONAL BANK FOR RECONSTRUCTION & DEVEL	1157921378	1
2010	DC	WORLD FOOD PROGRAM	944992742	2
2010	DC	CHEMONICS INTERNATIONAL INC	527114916	3
2010	MA	JOHN SNOW INCORPORATED	514298692	4
2010	VA	PARTNERSHIP FOR SUPPLY CHAIN MANAGEMENT, INC	431875000	5

2010	MD	DEVELOPMENT ALTERNATIVES INC	334952037	6
2010	VA	INTERNATIONAL RELIEF AND DEVELOPMENT INC. (I	281443613	7
2010	DC	ACADEMY FOR EDUCATIONAL DEVELOPMENT	264971704	8
2010	NJ	BERGER LOUIS GROUP INC	255244506	9
2010	MD	CATHOLIC RELIEF SERVICES	234114706	10
2011	DC	CONSORTIUM FOR ELECTIONS & POLITICAL PROCESS	1983820203	1
2011	DC	INTERNATIONAL BANK FOR RECONSTRUCTION & DEVEL	865765666	2
2011	DC	WORLD FOOD PROGRAM	782119766	3
2011	DC	CHEMONICS INTERNATIONAL INC	736830966	4
2011	VA	PARTNERSHIP FOR SUPPLY CHAIN MANAGEMENT, INC	417726429	5
2011	MD	DEVELOPMENT ALTERNATIVES INC	205614976	6
2011	MA	JOHN SNOW INCORPORATED	203087304	7
2011	MD	CATHOLIC RELIEF SERVICES	180238917	8
2011	VA	INTERNATIONAL RELIEF AND DEVELOPMENT, INC.	173603550	9
2011	NC	FAMILY HEALTH INTERNATIONAL	164763728	10
2012	DC	WORLD BANK OFFICE OF THE PUBLISHER	1764828723	1
2012	DC	WORLD FOOD PROGRAM	824441395	2
2012	DC	CHEMONICS INTERNATIONAL INC	662977571	3
2012	DC	INTERNATIONAL BANK FOR RECONSTRUCTION & DEVEL	5.10E+08	4
2012	MA	JOHN SNOW INCORPORATED	442689987	5
2012	VA	PARTNERSHIP FOR SUPPLY CHAIN MANAGEMENT, INC	431746164	6
2012	MD	DEVELOPMENT ALTERNATIVES INC	194829777	7
2012	MA	MANAGEMENT SCIENCES FOR HEALTH, INC.	189806764	8
2012	KS	BLACK & VEATCH CORP	185699121	9
2012	MD	CRS.ORG	164354485	10
2013	DC	WORLD BANK OFFICE OF THE PUBLISHER	2179025233	1
2013	DC	WORLD FOOD PROGRAM	788759796	2

2013	VA	PARTNERSHIP FOR SUPPLY CHAIN MANAGEMENT, INC	592552653	3
2013	DC	CHEMONICS INTERNATIONAL INC	414887238	4
2013	MA	JOHN SNOW INCORPORATED	335764793	5
2013	NC	FHI 360	286230717	6
2013	MD	DEVELOPMENT ALTERNATIVES INC	269539328	7
2013	MA	MANAGEMENT SCIENCES FOR HEALTH, INC.	174785694	8
2013	MD	JHPIEGO CORPORATION	166762696	9
2013	VA	AECOM INTERNATIONAL DEVELOPMENT, INC.	161220144	10
2014	DC	WORLD BANK OFFICE OF THE PUBLISHER	1406688988	1
2014	DC	WORLD FOOD PROGRAM	1053900265	2
2014	DC	CHEMONICS INTERNATIONAL INC	487860912	3
2014	VA	PARTNERSHIP FOR SUPPLY CHAIN MANAGEMENT, INC	389233980	4
2014	NC	FHI 360	311296825	5
2014	NY	UNITED NATIONS CHILDREN'S FUND	303841873	6
2014	MA	JOHN SNOW INCORPORATED	271333632	7
2014	MD	JHPIEGO CORPORATION	217018781	8
2014	MA	MANAGEMENT SCIENCES FOR HEALTH, INC.	199600228	9
2014	MD	CRS.ORG	174012754	10
2015	DC	WORLD FOOD PROGRAM	1245129453	1
2015	DC	WORLD BANK OFFICE OF THE PUBLISHER	1233868943	2
2015	VA	PARTNERSHIP FOR SUPPLY CHAIN MANAGEMENT, INC	727160280	3
2015	DC	CHEMONICS INTERNATIONAL INC	521144519	4
2015	NY	UNITED NATIONS CHILDREN'S FUND	410364801	5
2015	MA	JOHN SNOW INCORPORATED	408808522	6
2015	MD	JHPIEGO CORPORATION	305771288	7
2015	NC	FHI 360	284431330	8
2015	MD	DEVELOPMENT ALTERNATIVES INC	269721834	9



2015	NC	RESEARCH TRIANGLE INSTITUTE	223714626	10
2016	DC	WORLD BANK OFFICE OF THE PUBLISHER	1691088245	1
2016	DC	WORLD FOOD PROGRAM	1170594911	2
2016	DC	CHEMONICS INTERNATIONAL INC	1008898124	3
2016	DC	WORLD BANK	720534846	4
2016	NY	UNITED NATIONS CHILDREN'S FUND	363005078	5
2016	MD	DEVELOPMENT ALTERNATIVES INC	302173755	6
2016	MD	JHPIEGO CORPORATION	296104458	7
2016	NC	FHI 360	280787549	8
2016	DC	INTERNATIONAL ORGANIZATION FOR MIGRATION	209641457	9
2016	MD	CRS.ORG	206610214	10
2017	DC	CHEMONICS INTERNATIONAL INC	1640593138	1
2017	DC	UNITED NATIONS	1437576030	2
2017	DC	WORLD BANK	826820993	3
2017	DC	WORLD FOOD PROGRAM	479212145	4
2017	MD	CATHOLIC RELIEF SERVICES	345242979	5
2017	MD	DEVELOPMENT ALTERNATIVES INC	245448190	6
2017	DC	INTERNATIONAL ORGANIZATION FOR MIGRATION	238537743	7
2017	MD	JHPIEGO CORPORATION	225050290	8
2017	NY	US FUND FOR UNICEF	216223162	9
2017	NC	FHI 360	215643344	10

**Table B. Top 10 Aid Contractors (by development firm) from 2008 to 2017.**

## Appendix C. Top 10 Aid Contract Receiving States

year	state	amount	rank
2008	DC	5479455179	1
2008	VA	1858448573	2
2008	MD	1141116729	3
2008	NY	747075070	4
2008	MA	735794508	5
2008	NC	492366196	6
2008	CA	312615348	7
2008	NJ	295603891	8
2008	WA	294558277	9
2008	GA	247967894	10
2009	DC	5254604808	1
2009	VA	2067849421	2
2009	MD	1223965129	3
2009	MA	1057439301	4
2009	NY	651308507	5
2009	CA	458908870	6
2009	NJ	439868842	7
2009	NC	426045368	8
2009	GA	249960887	9
2009	WA	204252893	10
2010	DC	5344094484	1
2010	VA	1908107524	2
2010	MD	1763555920	3
2010	MA	1182873263	4
2010	NC	659368505	5
2010	NY	612864608	6
2010	CA	321200516	7
2010	VT	269094664	8
2010	NJ	261987672	9
2010	WA	253869956	10
2011	DC	6369421298	1
2011	MD	1454759481	2
2011	VA	1358665119	3
2011	MA	1105383234	4

2011	NC	605346577	5
2011	NY	404176494	6
2011	CA	262415587	7
2011	VT	235223861	8
2011	NJ	158680223	9
2011	CT	156073599	10
2012	DC	5520974329	1
2012	MD	1420878981	2
2012	MA	1282304790	3
2012	VA	1277344061	4
2012	NC	779161761	5
2012	NY	384506509	6
2012	CA	297132003	7
2012	VT	203010363	8
2012	KS	187736984	9
2012	CT	140344441	10
2013	DC	4992221318	1
2013	VA	1508862563	2
2013	MD	1269609382	3
2013	MA	1048541599	4
2013	NC	637971008	5
2013	NY	547270534	6
2013	CA	246499993	7
2013	VT	192540532	8
2013	WA	142604008	9
2013	MI	123506294	10
2014	DC	4508122076	1
2014	MD	1359606480	2
2014	VA	1214049516	3
2014	MA	956228036	4
2014	NY	751672695	5
2014	NC	724511748	6
2014	CA	240379641	7
2014	VT	219279655	8
2014	OR	142898159	9
2014	CT	124226958	10
2015	DC	4696314469	1

2015	VA	1708668787	2
2015	MD	1565332935	3
2015	MA	1239355666	4
2015	NY	967941086	5
2015	NC	877473103	6
2015	CA	375225374	7
2015	CT	214968474	8
2015	VT	157351542	9
2015	WA	136842819	10
2016	DC	6263455257	1
2016	MD	1703822603	2
2016	VA	1044219402	3
2016	NY	845725751	4
2016	MA	774132590	5
2016	NC	745964310	6
2016	CA	363247244	7
2016	WA	231957015	8
2016	VT	193984817	9
2016	CT	143960893	10
2017	DC	6137108163	1
2017	MD	1716956388	2
2017	NY	904719314	3
2017	VA	865685923	4
2017	NC	808152517	5
2017	MA	806113250	6
2017	CA	322408519	7
2017	WA	258021873	8
2017	CT	189998950	9
2017	VT	178188451	10

**Table C. Top 10 Aid Contract Receiving States from 2008 to 2017.**

## Appendix D. List of Pro-foreign-aid Bills

Congress	Bill	Summary
111	H.R. 1066	Peace Corps Expansion Act of 2009
111	H.R. 1410	Newborn, Child, and Mother Survival Act of 2009
111	H.R. 1511	Torture Victims Relief Reauthorization Act of 2009
111	H.R. 1702	Shelter, Land, and Urban Management (SLUM) Assistance Act of 2009
111	H.R. 1790	Forest Carbon Emission Reduction Act
111	H.R. 1861	Daniel Pearl Freedom of the Press Act of 2009
111	H.R. 1878	Global Autism Assistance Act of 2009
111	H.R. 1987	Microfinance Capacity-Building Act of 2009
111	H.R. 2030	Senator Paul Simon Water for the World Act of 2009
111	H.R. 2103	International Protecting Girls by Preventing Child Marriage Act of 2009
111	H.R. 2139	Initiating Foreign Assistance Reform Act of 2009
111	H.R. 2271	Global Online Freedom Act of 2009
111	H.R. 2387	Strategy and Effectiveness of Foreign Policy and Assistance Act of 2009
111	H.R. 2639	Global Poverty Act of 2009
111	H.R. 2737	Child Protection Compact Act of 2009
111	H.R. 2795	Roadmap Act of 2009
111	H.R. 2817	Roadmap to End Global Hunger and Promote Food Security Act of 2009
111	H.R. 2878	Solar Villages Initiative Act
111	H.R. 3031	Families for Orphans Act of 2009
111	H.R. 3070	Families for Orphans Act of 2009
111	H.R. 3077	Global Food Security Act of 2009
111	H.R. 3240	International Child Abduction Prevention Act of 2009
111	H.R. 3560	21 <sup>st</sup> Century Global Health Technology Act
111	H.R. 3701	More Books for Africa Act of 2009
111	H.R. 3714	Daniel Pearl Freedom of the Press Act of 2009
111	H.R. 3774	Energy Development Program Implementation Act of 2009
111	H.R. 416	Shirley A. Chisholm United States-Caribbean Educational Exchange Act of 2009
111	H.R. 4368	Social Investment and Economic Development for the Americas Act of 2010

111	H.R. 4392	African Higher Education Expansion and Improvement Act of 2009
111	H.R. 4594	International Violence Against Women Act of 2010
111	H.R. 4801	Global Science Program for Security, Competitiveness, and Diplomacy Act of 2010
111	H.R. 4879	Global Democracy Promotion Act
111	H.R. 4933	Global Health Expansion, Access to Labor, Transparency, and Harmonization Act of 2010
111	H.R. 4959	Global Conservation Act of 2010
111	H.R. 4962	International Cybercrime Reporting and Cooperation Act
111	H.R. 5117	Education for All Act of 2010
111	H.R. 5191	Global Resources and Opportunities for Women to Thrive Act of 2010
111	H.R. 5268	Improvements in Global MOMS Act
111	H.R. 606	International Women's Freedom Act of 2009
111	H.R. 6148	Trafficking in Organs Victims Protection Act
111	H.R. 6153	Foreign Prison Conditions Improvement Act of 2010
111	H.R. 6521	International Prevention of Child Marriage Act of 2010
111	H.R. 6535	United States-Africa Trade, Development, and Diaspora Relations Promotion Act
111	H.R. 6565	Global Water Access and Equity Act
112	H.R. 1389	Global Online Freedom Act of 2011
112	H.R. 1625	To prohibit funding for the Development Innovation Ventures (DIV) program.
112	H.R. 1856	International Religious Freedom Act Amendments of 2011
112	H.R. 1940	International Child Abduction Prevention and Return Act of 2011
112	H.R. 2144	21 <sup>st</sup> Century Global Health Technology Act
112	H.R. 2180	Shelter, Land, and Urban Management (SLUM) Assistance Act of 2011
112	H.R. 2404	Torture Victims Relief Reauthorization Act of 2011
112	H.R. 2524	Microenterprise Empowerment and Job Creation Act of 2011
112	H.R. 2639	Global Democracy Promotion Act
112	H.R. 2643	Medical Neutrality Protection Act of 2011
112	H.R. 2700	Global Autism Assistance Act of 2011
112	H.R. 2705	Education for All Act of 2011
112	H.R. 2792	African Higher Education Advancement and Development Act of 2011
112	H.R. 2880	Contingency Operation and Emergency Oversight Act of 2011

112	H.R. 3159	Foreign Aid Transparency and Accountability Act of 2012
112	H.R. 3357	Child Marriage Violates the Human Rights of Girls Act of 2011
112	H.R. 3589	Trafficking Victims Protection Reauthorization Act of 2011
112	H.R. 3658	Senator Paul Simon Water for the World Act of 2012
112	H.R. 3660	Contingency Operations Oversight and Interagency Enhancement Act of 2011
112	H.R. 3888	Solar Villages Initiative Act
112	H.R. 4141	International Food Assistance Improvement Act of 2012
112	H.R. 418	International Women's Freedom Act of 2011
112	H.R. 5748	United States Leadership to Eradicate Obstetric Fistula Act of 2012
112	H.R. 5905	International Violence Against Women Act of 2012
112	H.R. 6087	International Protecting Girls by Preventing Child Marriage Act of 2012
112	H.R. 6178	Economic Growth and Development Act
112	H.R. 6255	Women, Peace, and Security Act of 2012
112	H.R. 6303	Global Science Program for Security, Competitiveness, and Diplomacy Act of 2012
112	H.R. 6422	International Conservation Corps Act of 2012
112	H.R. 656	African Investment and Diaspora Act
112	H.R. 6573	Trafficking in Organs Victims Protection Act
112	H.R. 6644	Global Partnerships Act of 2012
112	H.R. 80	Global Water Access and Equity Act
113	H.R. 1195	International Conservation Corps Act of 2013
113	H.R. 1515	21 <sup>st</sup> Century Global Health Technology Act
113	H.R. 1793	Global Partnerships Act of 2013
113	H.R. 1951	Sean and David Goldman International Child Abduction Prevention and Return Act of 2013
113	H.R. 2033	Medical Neutrality Protection Act of 2013
113	H.R. 2548	Electrify Africa Act of 2014
113	H.R. 2638	Foreign Aid Transparency and Accountability Act of 2013
113	H.R. 2738	Global Democracy Promotion Act
113	H.R. 2780	Education for All Act of 2013
113	H.R. 2822	Global Food Security Act of 2013
113	H.R. 2874	Women, Peace, and Security Act of 2013
113	H.R. 2901	Senator Paul Simon Water for the World Act of 2014
113	H.R. 2935	Conservation Reform Act of 2013

113	H.R. 2947	International Women's Freedom Act of 2013
113	H.R. 3054	Global Autism Assistance Act of 2013
113	H.R. 3117	Ending the HIV/AIDS Epidemic Act of 2013
113	H.R. 3155	United Nations Transparency, Accountability, and Reform Act of 2013
113	H.R. 3212	Sean and David Goldman International Child Abduction Prevention and Return Act of 2014
113	H.R. 3307	Solar Villages Initiative Act
113	H.R. 3323	Children in Families First Act of 2013
113	H.R. 3398	Girls Count Act of 2014
113	H.R. 3525	International Hydrocephalus Treatment and Training Act
113	H.R. 3526	Humanitarian Assistance Facilitation Act of 2013
113	H.R. 3571	International Violence Against Women Act of 2013
113	H.R. 4143	Children in Families First Act of 2014
113	H.R. 4640	Western Hemisphere Drug Policy Commission Act of 2014
113	H.R. 4877	M-CORE Act
113	H.R. 4905	Global Development Lab Act of 2014
113	H.R. 4987	Torture Victims Relief Reauthorization Act of 2014
113	H.R. 4997	United States Leadership to Eradicate Obstetric Fistula Act of 2014
113	H.R. 5043	PACT Act
113	H.R. 5656	Global Food Security Act of 2014
113	H.R. 5703	Protect and Preserve International Cultural Property Act
113	H.R. 5710	Ebola Emergency Response Act
113	H.R. 5837	African Descent Act of 2014
113	H.R. 5846	Frank R. Wolf International Religious Freedom Act of 2014
113	H.R. 5862	Improvements in Global MOMS Act
113	H.R. 898	Trafficking Victims Protection Reauthorization Act of 2013
114	H.R. 1039	African Descent Affairs Act of 2015
114	H.R. 1340	International Violence Against Women Act of 2015
114	H.R. 1567	Global Food Security Act of 2016
114	H.R. 1812	Western Hemisphere Drug Policy Commission Act
114	H.R. 2100	Girls Count Act of 2015
114	H.R. 2241	Global Health Innovation Act of 2015
114	H.R. 2494	Eliminate, Neutralize, and Disrupt Wildlife Trafficking Act of 2016
114	H.R. 2571	M-CORE Act



114	H.R. 2740	Global Democracy Promotion Act
114	H.R. 2845	AGOA Enhancement Act of 2015
114	H.R. 2870	Torture Victims Relief Reauthorization Act of 2015
114	H.R. 3706	Reach Every Mother and Child Act of 2015
114	H.R. 3750	First Responders Passport Act of 2015
114	H.R. 3766	Foreign Aid Transparency and Accountability Act of 2016
114	H.R. 3924	Global Development Lab Act of 2016
114	H.R. 4481	Education for All Act of 2016
114	H.R. 4939	United States-Caribbean Strategic Engagement Act of 2016
114	H.R. 5285	To amend the Foreign Assistance Act of 1961 to require the annual human rights reports to include information on the institutionalization of children and the subjection of children to cruel, inhuman, or degrading treatment, unnecessary detention, and denial of the right to life, liberty, and the security of persons, and for other purposes.
114	H.R. 5332	Women, Peace, and Security Act of 2016
114	H.R. 5537	Digital GAP Act
114	H.R. 5597	Solar Villages Initiative Act
114	H.R. 5735	Protecting Girls' Access to Education in Vulnerable Settings Act
114	H.R. 5850	Secure the Northern Triangle Act
114	H.R. 611	Sex Trafficking Demand Reduction Act
115	H.R. 1095	Torture Victims Relief Reauthorization Act of 2017
115	H.R. 1191	Child Soldier Prevention Act of 2017
115	H.R. 1570	African Descent Affairs Act of 2017
115	H.R. 1660	Global Health Innovation Act of 2017
115	H.R. 2168	First Responders Passport Act of 2017
115	H.R. 2200	Frederick Douglass Trafficking Victims Prevention and Protection Reauthorization Act of 2018
115	H.R. 2408	Protecting Girls' Access to Education Act
115	H.R. 2484	Women, Peace, and Security Act of 2017
115	H.R. 2532	Vulnerable Children and Families Act of 2017
115	H.R. 2747	Economic Growth and Development Act
115	H.R. 3030	Elie Wiesel Genocide and Atrocities Prevention Act of 2018
115	H.R. 3445	AGOA and MCA Modernization Act
115	H.R. 3612	Prioritizing Education in Conflict Zones Act of 2017
115	H.R. 4022	Reach Every Mother and Child Act of 2017
115	H.R. 4121	Global Development Lab Act of 2017

115	H.R. 4621	Global Brain Health Act of 2017
115	H.R. 466	Sex Trafficking Demand Reduction Act
115	H.R. 4819	DELTA Act
115	H.R. 4950	D'ARC Act
115	H.R. 5034	International Violence Against Women Act of 2018
115	H.R. 5105	BUILD Act of 2018
115	H.R. 5273	Global Fragility and Violence Reduction Act of 2018
115	H.R. 5480	Women's Entrepreneurship and Economic Empowerment Act of 2018
115	H.R. 5501	End Corruption in the Northern Triangle Act
115	H.R. 570	Solar Villages Initiative Act
115	H.R. 600	Digital Global Access Policy Act of 2018
115	H.R. 6018	Trans-Sahara Counterterrorism Partnership Act of 2018
115	H.R. 671	HER Act
115	H.R. 7055	Keeping Girls in School Act

**Table D. List of Pro-foreign-aid Bills.**

## Appendix E. Statistical Summary

Variables	Number of Missing values
FA score	Min : 0 Median: 1 Mean : 2.47 Max : 21 0 no sponsor/cosponsor counted as zero
ln(aid contract)	Min: 0 Median: 10.92 Mean: 8.663 Max: 22.238 0 no contract record or missing congressional district record counted as zero*
Lobby (binary)	Min: 0 Median: 0 Mean: 0.137 Max: 1 0 no lobby record counted as zero
NOMINATE dim 1	Min: -0.716 Median: 0.23 Mean: 0.071 Max: 0.939 1
FA comm. (binary)	Min: 0 Median: 0 Mean: 0.103 Max: 1 0
Approp. Comm. (binary)	Min: 0 Median: 0 Mean: 0.116 Max: 1 0
ln(income)	Min: 10.43 Median: 11.12 Mean: 11.15 Max: 11.95 793 115 <sup>th</sup> Congress not included
unemployment	Min: 1.95 Median: 5.05 Mean: 5.29 Max: 12.55 793 115 <sup>th</sup> Congress not included

**Table E. Statistical Summary of Variables.**

\*negative values are transformed into zero as well. This may cause serious distortion in data; therefore, other methods of transformation were used to test robustness. The results did not change significantly.

## 국문 초록

왜 선진국은 개도국에 지속적으로 해외 원조를 조달하는가? 해외 원조는 비시민에 대한 정부 지출이다. 해외 원조의 수혜자는 국외에 있는 반면, 해외 원조의 재원은 공여국 국민의 세금으로부터 조달된다. 때문에 공여국 내에서 해외 원조는 유권자의 관심과 주목을 끄는 정책 이슈가 아니다. 그럼에도 불구하고 해외 원조는 1990년대 이후 지속적으로 확대되어 왔으며, 관련 여러 국제 제도가 구축되어 왔다. 본 연구는 공여국 내에 상당히 약한 정치적 지지를 받고 있는 해외 원조가 오랜 시간 지속되고, 확대되는 현상에 대해 질문을 제기한다.

본 논문은 개발 기업의 역할을 중심으로 국내 정치에서 주목 받지 못하는 해외 원조 이슈가 어떻게 공여국 내에서 정책화되고, 유지되었는지 탐구한다. 특히, 세계 최대 공여국인 미국의 국내 정치적 동학에 초점을 두으로써 해외 원조를 둘러싼 주요 행위자들 간의 ‘순환적 주인 대리인 관계’를 살펴본다.

본 논문에서 다루는 주요 행위자는 미국의 하원 의원, 국제개발처 그리고 개발 기업이다. 국제개발처는 미국의 해외 원조를 담당하는 정부 기관이다. 정부 간의 증여나 차관의 형태로 조달되던 해외 원조가 점차 프로젝트 형식으로 바뀌며 국제개발처는 국내 개발 기업과의 계약(조달)을 통해 해외 원조 프로젝트를 실행해 왔고, 이 계약을 통해 많은 개발 기업들이 성장해 왔다. 즉, 원조 프로젝트를 수행하는 개발 기업에게 해외 원조는 중요한 성장동력이자 재원이 된다. 이 개발 기업들은 두 가지 측면에서 해외 원조에 대한 국내 정치적 지지를 도모하는 데에 중요한 역할을 한다. 첫째, 개발 기업은 한 선거구의 유권자이다. 때문에 유권자의 이익을 중시하는 의원은 본인의 지역구에 있는 개발 기업의 이익을 고려하여 지속적으로 해외 원조 정책을 지지한다. 둘째, 개발 기업은 해외 원조 관련 정책들에 대한 강한 선호를 가진 특수 이익 집단으로서 의원들에게 국제 개발의 중요성에 관한 정보를 적극적으로 공유하여 해외 원조의 유지와 확대에 기여하고 있다.

본 연구는 111대부터 115대 미의회의 원조 관련 법안 데이터, 선거구 수준 정부기관 조달 데이터 그리고 기업 수준 로비 데이터를 분석하여 다음 두 가지 결론을 제시한다. 첫째, 개발 기업이 집중되어 있는 선거구의 의원일 수록 해외 원조 법안을 더 적극 지지할 동기가 커진다. 둘째, 기업과 의원 사이의 로비 접촉은 그 의원의 해외 원조 법안에 대한 발의 빈도와 양의 상관관계를 갖는다. 본 논문은 앞서 언급한 세 가지 데이터와 논문, 뉴스기사 그리고 개발 기업이 공개한 자료를 기반으로 개발 기업이 개별적 로비를 통해 해외 원조 법안을 지지할 뿐만 아니라, 집단적으로 로비하여 의원들의 지지를 이끌어내는 데에 일조함을 추론 할 수 있었다.

본 논문은 개발 기업의 이익 추구가 단순히 개인 기업의 이익으로 끝나지 않고, 해외 원조에 대한 국내 정치적 지지를 이끌어 내는 데에 중요한 역할을 수행함을 보여준다. 본 논문은 기존 연구의 국가 수준 분석을 넘어 국내 정치적 시각에서 해외 원조 정책이 공여국 내에 유지되고 확대되는 매커니즘을 제시한다는 점에서 의의를 갖는다. 뿐만 아니라 기존 일방향의 주인-대리인 모델을 수정하여 해외 원조를 둘러싼 주요 행위자 간 새로운 구조의 대리인 모델을 제시함으로써 기존 연구가 도외시한 개발 기업의 정치적 역할을 보여준다는 측면에서 의미를 가진다.

**주요어 :** 해외 원조, 이익 집단, 국제개발처, 주인-대리인 이론, 로비, 미국 의회

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